



SURPRISE

ARIZONA

CITY OF SURPRISE, ARIZONA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2012



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COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2012

Prepared by:
Finance Department



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INTRODUCTORY SECTION

The Introductory Section is the first of three essential components of the City's Comprehensive Annual Financial Report (CAFR). The second essential component is the Financial Section, and the third is the Statistical Section. The Introductory Section provides general information on the City's structure and personnel as well as information useful in assessing the City's economic condition, with the letter of transmittal as the key element to formally introduce the CAFR to the intended readers.



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June 5, 2013

The Honorable Mayor
Members of the City Council
Citizens of the City of Surprise, Arizona

Dear Mayor, Members of the City Council, and Citizens of the City of Surprise, Arizona:

Arizona Revised Statutes (A.R.S.) § 41-1279.07 requires cities and towns to file financial statements prepared in conformity with generally accepted accounting principles (GAAP) after the close of each fiscal year. The Comprehensive Annual Financial Report (CAFR) of the City of Surprise for the fiscal year ended June 30, 2012 is submitted pursuant to this requirement.

Management assumes full responsibility for the completeness and reliability of all information presented in this report based on internal controls established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. In preparing this report, a number of prior period adjustments have been made to more accurately present the financial position and the financial results of the City.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, has audited the City of Surprise's financial statements pursuant to A.R.S. § 9-481. The audit is intended to provide reasonable assurance that the financial statements of the City of Surprise for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

A clean or unqualified audit opinion denotes that the financial statements are presented in conformity with GAAP. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion, that the City of Surprise's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. CliftonLarsonAllen LLP was also contracted to perform the single audit of the City's major grant programs. This audit was designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The single audit report is issued separately from this CAFR. Copies are available upon request from the City's Finance Department.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

Surprise, located just 45 minutes west of downtown Phoenix along U.S. Route 60/State Highway 93, was founded on May 17, 1938 by Flora Mae Statler who purchased and subdivided the original town site. The former small farming village now encompasses 107.5 square miles, including urban and commercial developments, ranches, industrial, and business parks. Surprise has grown from 500 residents to a city of 119,489 people, evolving from a small town government to a regional governmental entity.

Surprise is a city that operates under the Council/Manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the Mayor and six other members. The Council is responsible, among other things, for passing ordinances, appointing committees, adopting the budget, and appointing the City Manager, the City Attorney, the City Clerk, and the Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing department directors.

The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three elected alternately every two years. The Mayor is elected at large every four years, while the other Council members are elected by district.

The City of Surprise provides a full range of services, including police and fire protection, roadway maintenance and construction, recreational and cultural activities, health and social services, as well as general administrative services. Sanitation, water, sewer and water recharge utility services are provided to many of the residents through the City's enterprise funds. The City provides street lighting for developing areas through legally formed street lighting districts. The City provides and accounts for a legally separate volunteer firefighters' pension fund as mandated by Arizona Revised Statute, Title 9, as well as a non-profit corporation formed under Arizona Revised Statute, Title 10, designed to facilitate the acquisition and improvement of City property and a community facilities district designed to provide funding for the construction and acquisition of public infrastructure improvements. These last four activities essentially function as departments within the City and have been included as an integral part of the City's financial statements. Additional information on all four of these legally separate entities can be found in Note 1 section A. (1.A) in the Notes to the Financial Statements.

The annual budget is adopted by resolution and serves as the foundation for the City of Surprise's financial planning and control. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. The budget preparation and adoption process is described in greater detail in the Notes to the Financial Statements. The budget is prepared by fund and by department within the general fund. The budget may be amended during the fiscal year as follows: Department Directors may make transfers of appropriations within a department between the major categories of supplies and services and within the personnel category. The City Manager may authorize transfers from the personnel category and from operating capital to services or supplies within a department. The Council must approve all transfers from contingency dollars, between funds, between departments and to and from projects.

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City of Surprise operates.

Local Economy

Economic forecasts show a slow and steady economic recovery for Arizona. These forecasts are supported by several key indicators. The unemployment rate for the City of Surprise has decreased from 6.5% at June 2011 to 4.3% as of June 2012. The City's largest revenue source is sales tax generated from a variety of business categories including retail stores, communications/utilities, construction, restaurant/bar, real estate/rental and leasing, service related, art/entertainment, and hotel/motel. Sales tax revenues have increased 11% from the prior year. State shared revenues have increased 23% due to the use of the 2010 census data which saw a large increase in the City's proportional population. These are all seen as positive signs that a recovery is underway.

The region is also marked by a continued inventory of vacant homes resulting from the downturn in the housing market and the consumer credit crises. Residential construction continues at a slow pace with some in-fill activity taking place in previously developed neighborhoods. The oversupply of vacant homes continues to be absorbed back into the real estate market.

Further information on the history of City revenues can be found in the MD&A, pages 13 through 26, and the statistical section that begins on page 127, of this financial report.

Long-Term Financial Planning

The City's financial planning has focused on cutting costs while maintaining current service levels. This is part of an effort to rebuild the City's operating reserve which was lost as a result of the prior period adjustments of the past two fiscal years.

Major Initiatives

Over the past fiscal year, the City has undertaken and completed the Post Audit Work project and made the necessary prior period adjustments to this year's CAFR. As a result of the project, the City is proud to have received an unqualified opinion.

Awards and Acknowledgements

The City of Surprise has received the Government Finance Officers Association's (GFOA's) Certificate of Achievement for Excellence in Financial Reporting for its CAFR every year from fiscal year 2003 through fiscal year 2010. The document must be easily readable, efficiently organized and compliant with GAAP and applicable legal requirements in order to qualify for the award. This City did not apply for this award for fiscal year 2011 due to the receipt of a qualified opinion. The City did not apply for this award for the current year due to the delayed preparation of the CAFR as a result of the Post Audit Work. However, the City intends to apply for the award in future fiscal years.

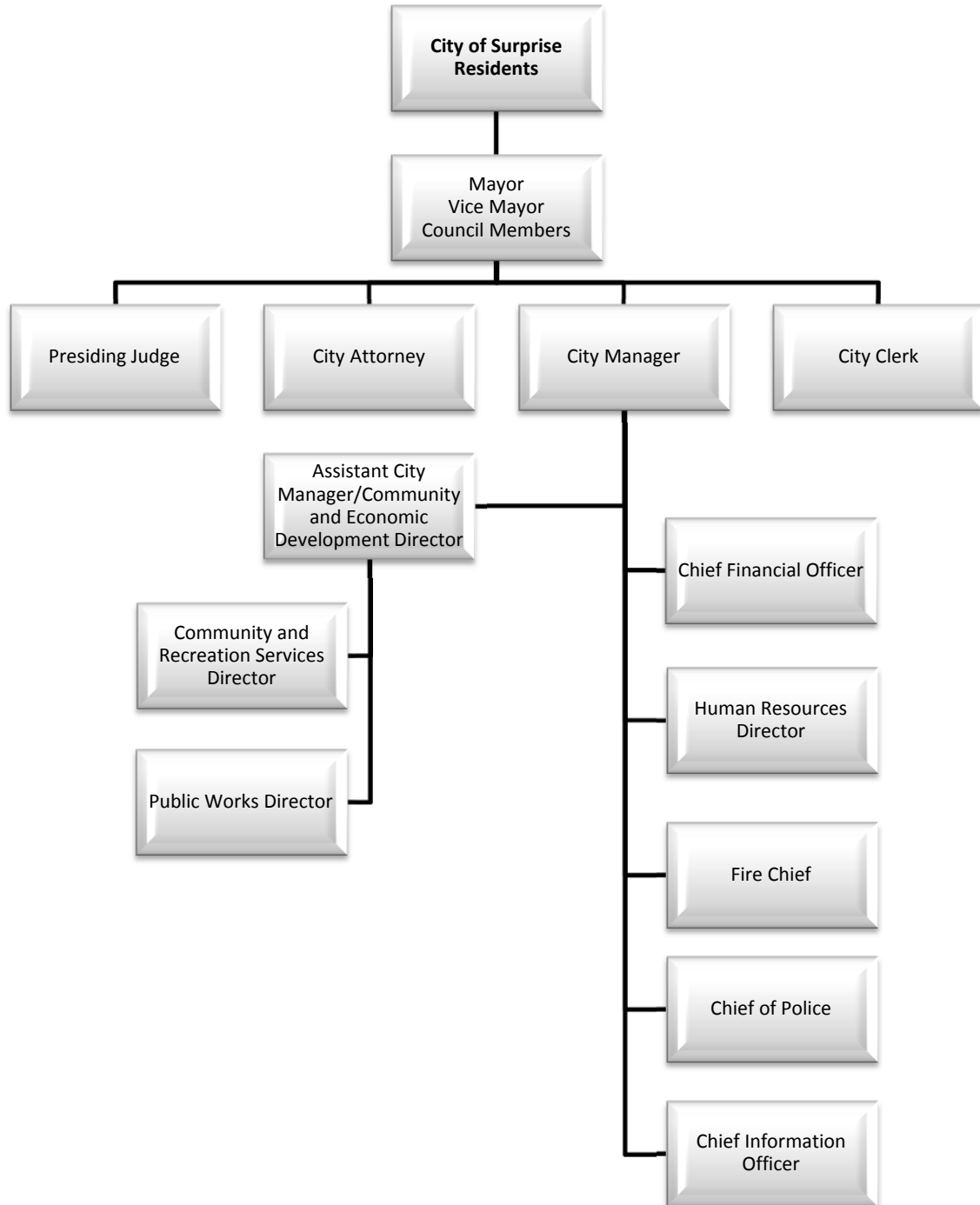
The City of Surprise has received the GFOA's Distinguished Budget Presentation Award for its annual budget document every year since July 1, 2001. The government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Chris Hillman", with a stylized, flowing script.

Chris Hillman
Interim Chief Financial Officer

City of Surprise Organizational Chart



MAYOR SHARON WOLCOTT – Mayor@surpriseaz.gov



Mayor Sharon Wolcott was elected November 2011 on a platform that called for creating more jobs, providing new education options and addressing traffic congestion in Surprise.

The former District 1 council member also has worked hard to bring about more fiscal accountability and transparency at City Hall, and intends to continue the fight for taxpayers in her new job.

As Mayor, she has promised to reach out to the community with regular town hall meetings in neighborhoods across Surprise. Sharon believes city government works best when elected officials and senior staff members take time away from City Hall to engage residents on the issues.

In December 2011, she joined several members of the City Council in an initial round of public meetings to discuss what citizens believe the City's priorities should be in 2012 and beyond.

Her hands-on style of leadership is expected to help drive solutions to some of our community's most pressing and important challenges and opportunities.

Sharon discovered Surprise in 2003. Her first opportunity to serve here came in 2008, when she was appointed to the Surprise Transportation Commission, serving as Vice-Chair. She was elected to the Surprise City Council in 2009.

Before coming to our community, Sharon previously served on the city council in Newport, MN and as a state legislator in both the Minnesota House and Senate.

Wolcott's term expires in December 2015. She is elected at-large.

VICE MAYOR JOHN WILLIAMS – John.Williams@surpriseaz.gov



John Williams was first elected to the City Council from District 3 (Mesquite) in November 2007. He was re-elected in November, 2011. As a teacher, parent, and husband, John brings a community perspective to his commitment to serve as a voice for all residents. John has been in Education and Sports Medicine since he and his wife Melissa bought their home in Surprise in 2000.

A graduate of Hofstra University in New York, John also holds a Masters in Health Science from Towson University in Maryland. His professional career began in Sports Medicine and transitioned into education when he and Melissa came to Surprise.

For the past 7 years, he has been working as a teacher, building the Career and Technical Education Sports Medicine program in the Peoria Unified School District. He has been selected by his peers to be the Program Lead for the past two years.

John and Melissa have three children, Connor, Ashlyn, and Matthew. Melissa and John are animal lovers and have opened their home to numerous animals in need including Blaze, the three-legged cocker spaniel whose life was extended for eight years after they took him into their home in 1999.

"I want to give my kids, our kids, the opportunity to be part of the city that is defining vibrant southwest living. In 15 years, I hope my oldest, Connor, can attend the next great university right here in Surprise. I hope when he graduates he will have the option of building his own family here because we will have grown a sustainable economy that offers high quality jobs to our residents. These are my hopes and dreams. I believe working together, we can make them happen."

Williams was re-elected in 2011 and his current term expires in December 2015.

SKIP HALL – Skip.Hall@surpriseaz.gov



A resident of Surprise since 2003, Skip served on the Surprise Planning and Zoning Commission for three years and currently serves on the Sun Village Board of Directors as Treasurer.

Skip's goals for the city include additional east-west road crossings over the Aqua Fria River, working with other transportation partners to expand Grand Avenue, and attracting new businesses to Surprise.

He grew up in Idaho and received a business degree from Seattle University. Skip is a Vietnam War Veteran and was awarded the Bronze Star for his outstanding service 1969-1970.

Skip worked in the restaurant and lodging business for decades, opening restaurants in California, Oregon, and Washington and earning a certification in Hotel Administration. He was involved in multi-unit management for two lodging chains and achieved the Best Practice Award from American Express and the National Lodging Institute.

He has worked with Junior Achievement and the Veterans of Foreign Wars. He has also taught community college courses on the hospitality business and restaurant and hotel management.

Skip has two daughters, one son, and five grandchildren.

The Palo Verde District includes Coyote Lakes, Canyon Ridge West, Rose Garden, Sunflower Resort, Sun Village, Fox Hill Run, and the eastern portion of the city's Original Town Site.

Hall's term expires in December 2013.

RICHARD ALTON – Richard.Alton@surpriseaz.gov



Richard Alton represents the Cottonwood District, 2. The Cottonwood District encompasses the majority of Sun City Grand, the northwest portion of Sun Village, Stonebrook, Summerfield, and Bell West Ranch.

Richard was elected to Council in 2007, and re-elected in 2011. Since arriving in Surprise in 2003, he has served as a member of the Surprise Revitalization Committee, served on the ad hoc committee to analyze and recommend an auto mileage reimbursement method (Alton voted for the IRS standards), and most recently, he served as a Commissioner on the Surprise Planning and Zoning Commission.

His experience on these commissions has given him valuable insight into the complexities and importance of zoning decisions, planning strategies, and redeveloping needy areas. His professional experience in the banking industry gives him a unique understanding of the economic and business development aspects of proper planning, zoning, and revitalization.

Richard brings more than 35 years of banking experience to his post, which will be a valuable asset in the city's budgeting and planning processes. He will address Surprise's urgent transportation needs, and make an impact in economic development strategies and networking. He is committed to enhancing the communications between citizens and the Council regarding Council agenda items.

He and his wife re-located to Surprise from the Seattle, Washington area. He has six children (all grown) and 11 grandchildren.

Alton was re-elected in 2011 and his current term expires in December 2015.

ROY VILLANUEVA – Roy.Villanueva@surpriseaz.gov



As the representative from District 4 (Mulberry), Roy Villanueva brings a combined 25 years of experience as Surprise Mayor, Vice Mayor, and council member. Most recently, he was elected to Council in 2007 and re-elected in 2011.

During his many years of service, Roy has initiated many important improvements in the area of housing rehabilitation, economic development, utilities, police services, fire services, and federal grants.

While serving as chair of the Community Development Block Grant Committee, Roy was instrumental in targeting these important federal dollars to improve housing, roads, streetlights, sidewalks, baseball fields, sewer systems, and other important neighborhood infrastructure around the city.

He was also instrumental in developing important Surprise economic milestones such as the West Point Towne Center, and bringing major league baseball and Surprise stadium to the community.

He is excited and ready to introduce progressive programs and services to all residents of Surprise. His goals for his current term:

- Work with all council members to respectfully represent our city and the residents of District 4.
- Improve Transportation.
- Continue to improve and promote businesses in the Original Town Site.
- Continue recreation programs for young people.
- Support public services such as the Fire and Police Departments.
- Explore more job opportunities for Surprise residents.

Roy has lived in Surprise for 32 years and has been married to Rachel for 39 years. His three grown children, all Dysart High School graduates, were raised in Surprise. He has one grandson.

Villanueva was re-elected in 2011 and his current term expires in December 2015.

JIM BIUNDO – Jim.Biundo@surpriseaz.gov



City Council member was appointed District 1 Council member on June 14, 2011 to fill a vacancy. He has been a resident of Surprise since 2003.

Jim served in the United States Marine Corps from 1954 to 1957. Following military service, he attended college in Colorado and received Bachelor of Arts and Master of Arts degrees in English, Speech, and Theatre and continued studies in a post-graduate doctoral graduate program.

Jim has had a career in education as a high school teacher, associate professor, and administrator at colleges in Colorado, Iowa, Arizona, and Missouri. During that time, he

also pursued a parallel track in public service. He has served as a Councilmember at-large and has been on boards of directors of chambers of commerce, convention and visitors bureaus, civic/service organizations, and was on the Board of Directors of Brucemore, Inc., a National Trust for Historic Preservation property located in Cedar Rapids, Iowa.

Jim is the author of two books, several published poems, and over thirty published articles. He has made over forty presentations at regional, national, and international conferences. He retired in 2000 from Southeast Missouri State University where he served as Assistant to the President.

Jim and his wife Antoinette have three daughters: Terrilee Day in Del Norte, Colorado; Kimberly Peets in Las Vegas, Nevada; and Tammy Gerstner in Lee's Summit, Missouri. They also have four grandchildren.

Biundo's term expires in December 2013.

MIKE WOODARD – Mike.Woodard@surpriseaz.gov



City Council member Mike Woodard represents District 5 (Palm). District 5 includes the northern half of West Point, Kingswood Parke, The Orchards, Sierra Verde, a portion of the Original Town Site, the Stadium Village complex, and the Civic Center/Recreational campuses.

Mike, a Surprise resident since 1998, is a retired widower and resident of West Point Towne Center. He has been an active citizen in the community since 2001 as co-founder of the group Citizen's for a Better Surprise, a member of the Planning & Zoning Commission, a Sundancer volunteer, an at-large member of the Citizen Bond Committee, and as a senior center volunteer driver. He also volunteers his time and efforts to West Valley Cancer Connections and the H.O.P.E. Team at Cancer Treatment Centers of America.

His involvement in the city combined with over 40 years of accounting and managerial experience in a broad range of industries will be valuable in the city's budgeting and planning processes. He is committed to bringing commuter rail and improving transportation corridors, major factors impacting the city's economic development strategies. Mike believes communication between the citizens and council is of paramount importance and will be a top personal endeavor for him.

Mike has helped raise four children, numerous foster children, and is grandfather to six and great-grandfather to one great-granddaughter.

Woodard's term expires in December 2013.



City of Surprise

Appointed Officials

City Manager	Chris Hillman
City Clerk	Sherry Aguilar
City Attorney	Michael Bailey
Presiding Judge	George Logan





FINANCIAL SECTION – INDEPENDENT AUDITOR’S OPINION

The Financial Section is divided into five subsections. The first subsection is the Independent auditor’s report, which is the official written communication of the audit results provided by the independent auditors expressing their opinion on the City’s financial statements as to whether the financial statements are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP).

Financial Subsection’s

- Independent Auditor’s Report
- Management’s Discussion and Analysis
- Government Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council of the
City of Surprise, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Surprise, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable Mayor and the City Council of the
City of Surprise, Arizona

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 26, the Public Safety Personnel Retirement System Schedule of Funding Progress on page 77, and budgetary comparison information on pages 78 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Surprise's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

CliftonLarsonAllen LLP

Phoenix, Arizona
June 5, 2013



FINANCIAL SECTION – MANAGEMENT’S DISCUSSION AND ANALYSIS

The Financial Section is divided into five subsections. The second subsection is the Management Discussion and Analysis. This component of required supplementary information is used to introduce the basic financial statements and provide an analytical overview of the City’s financial activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Surprise (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing a summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. Amounts presented may reflect some minor differences due to rounding. This analysis is meant to be read in conjunction with the letter of transmittal.

FINANCIAL HIGHLIGHTS

- ❖ **Governmental Type net assets** increased 4% or \$17.6 million from \$459.2 million to \$476.8 million as opposed to a decrease in net assets in the prior year of \$9.4 million. The increase in the change in net assets from the prior year totaling \$27.1 million is attributable to the following increases in revenue: capital contributions increased \$23.8 million due to an increase in governmental related developments, state shared revenues increased \$4.7 million due to an increase in the City's proportional share of the population, and sales taxes increased \$3.4 million due to an improving local economy.
- ❖ **Business Type net assets** increased 3% from \$320.5 million to \$330.4 million, a difference of \$9.9 million. The increase in net assets in the current year was slightly less than the prior year increase of \$11.8 million. The decrease in the change in net assets from the prior year is attributable to a decrease in capital contributions of \$3.0 million resulting from fewer business type developments.
- ❖ **Governmental Activities expenses** of \$111.7 million exceeded program revenues of \$60.4 million, a difference of \$51.3 million. The remaining \$51.3 million of expense represents the total burden each separate function places on the City, that is the total cost after deducting revenues charged or grants and contributions received specifically for these programs. This amount is covered by general governmental revenues net of transfers.
- ❖ **Business Type expenses** were \$36.1 million, while program revenues totaled \$46.7 million, a positive difference of \$10.6 million. For the business type activities for the current year this surplus in program revenues will cover the shortfall in general revenues net of transfers.
- ❖ **Component units** – The City includes four separate legal entities in its report: the City of Surprise Voluntary Firefighters' Pension and Relief Fund, the Surprise Municipal Property Corporation (SMPC), Marley Park Community Facilities District (CFD), and various Street Lighting Improvement Districts (SLID). Although legally separate, these "component units" are presented along with the City's financial statements (blended presentation). Blending component units is appropriate when they share a governing body with the primary government or when there is an exclusive benefit to the primary government. Each of the above mentioned component units, meets these requirements. A more detailed description of these component units is available in Note 1.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 27 and 28-29) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 32. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 27. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities provides information about the City as a whole and about its activities in a way that helps answer this question. These statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

These two statements report the City's net assets and/or changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities are divided into two kinds of activities:

- ❖ **Governmental activities** – Most of the City's basic services are reported here, including the police, fire, public works, parks and recreation departments, and general administration.
- ❖ **Business type activities** – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's water, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 32 where the fund financial statements begin. These provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- ❖ **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. A description of the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is included in the reconciliations following the fund financial statements.
- ❖ **Proprietary Funds** – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, specifically the City's Risk Management Fund.
- ❖ **Fiduciary Funds** – The City is the trustee, or fiduciary, for its City of Surprise Volunteer Firefighters' Pension and Relief Fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 45-46.

These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Assets as of June 30, 2012 and June 30, 2011.

City of Surprise's Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>
ASSETS						
Current and other assets	\$ 50.4	\$ 42.8	\$ 72.6	\$ 71.3	\$ 123.0	\$ 114.1
Capital assets, net	474.8	465.1	324.9	317.8	799.7	782.9
Total assets	<u>525.2</u>	<u>507.9</u>	<u>397.5</u>	<u>389.1</u>	<u>922.7</u>	<u>897.0</u>
LIABILITIES						
Other liabilities	7.7	7.9	3.5	3.1	11.2	11.0
Long-term liabilities	40.7	40.8	63.6	65.5	104.3	106.3
Total liabilities	<u>48.4</u>	<u>48.7</u>	<u>67.1</u>	<u>68.6</u>	<u>115.5</u>	<u>117.3</u>
Net assets:						
Invested in capital assets, net of related debt	445.0	430.6	269.7	259.4	714.7	690.0
Restricted	27.0	27.4	6.7	6.6	33.7	34.0
Unrestricted	4.8	1.2	54.0	54.5	58.8	55.7
Total net assets	<u>\$ 476.8</u>	<u>\$ 459.2</u>	<u>\$ 330.4</u>	<u>\$ 320.5</u>	<u>\$ 807.2</u>	<u>\$ 779.7</u>

* Amounts presented have been changed to reflect the prior period adjustments made.

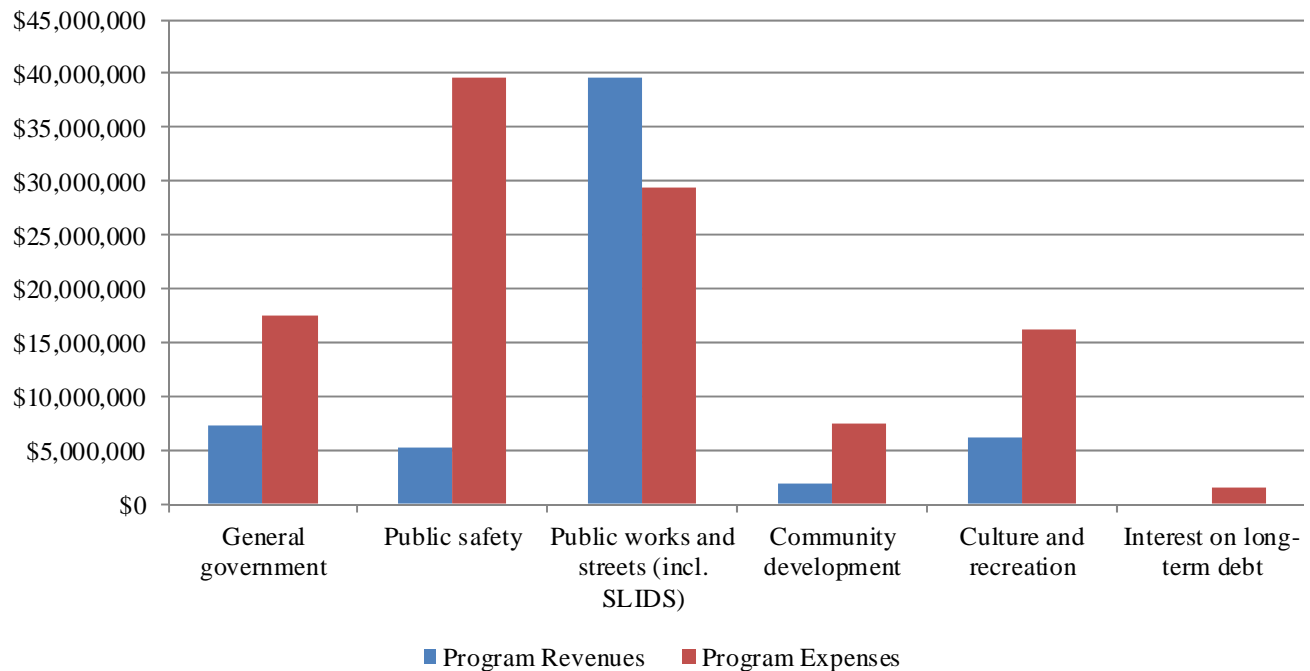
Net assets are a good indicator of a city's overall financial standing. For fiscal year 2012, the City had total combined net assets of \$807.2 million. This was an increase of \$27.5 million, or 4% over the prior year's net assets of \$779.7 million. Not all of the \$807.2 million is available for the City to use without restraint. The largest portion of the City's total net assets \$714.7 million, or 89% is invested in capital assets, net of related debt. Of the remaining net assets, \$33.7 million is restricted for various purposes and \$58.8 million is unrestricted.

City of Surprises Changes in Net Assets (in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 19.7	\$ 18.5	\$ 32.2	\$ 31.6	\$ 51.9	\$ 50.1
Operating grants and contributions	8.2	10.4	-	-	8.2	10.4
Capital grants and contributions	32.4	8.7	14.5	16.9	46.9	25.6
General revenues:						
Property taxes	6.1	7.0	-	-	6.1	7.0
Sales taxes	33.3	29.8	-	-	33.3	29.8
Franchise taxes	4.5	4.4	-	-	4.5	4.4
State shared revenues	23.4	18.8	-	-	23.4	18.8
Unrestricted investment earnings	0.3	0.5	0.3	0.6	0.6	1.1
Other	0.3	0.5	-	0.5	0.3	1.0
Total revenues	<u>128.2</u>	<u>98.6</u>	<u>47.0</u>	<u>49.6</u>	<u>175.2</u>	<u>148.2</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	17.4	18.4	-	-	17.4	18.4
Public safety	39.6	38.8	-	-	39.6	38.8
Public works and streets	29.4	29.7	-	-	29.4	29.7
Community development	7.4	4.9	-	-	7.4	4.9
Culture and recreation	16.2	15.2	-	-	16.2	15.2
Interest on long-term debt	1.6	1.9	-	-	1.6	1.9
Business-type activities:						
Water	-	-	10.8	11.2	10.8	11.2
Sewer	-	-	19.3	20.1	19.3	20.1
Sanitation	-	-	6.0	5.6	6.0	5.6
Total expenses	<u>111.6</u>	<u>108.9</u>	<u>36.1</u>	<u>36.9</u>	<u>147.7</u>	<u>145.8</u>
Excess before special items and transfers	16.6	(10.3)	10.9	12.7	27.5	2.4
Transfers in (out)	1.0	0.9	(1.0)	(0.9)	-	-
Increase in net assets	17.6	(9.4)	9.9	11.8	27.5	2.4
Net assets - beginning, as restated	459.2	468.6	320.5	308.7	779.7	777.3
Net assets - ending	<u>\$ 476.8</u>	<u>\$ 459.2</u>	<u>\$ 330.4</u>	<u>\$ 320.5</u>	<u>\$ 807.2</u>	<u>\$ 779.7</u>

* Amounts presented have been changed to reflect the prior period adjustments made.

FY 2012 Governmental Program Revenues and Expenses

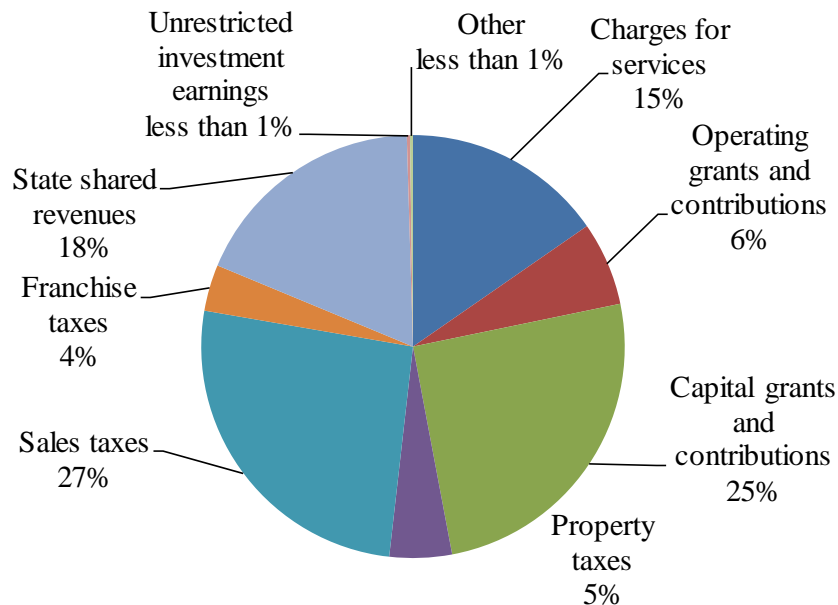


For fiscal year 2012, governmental program expenses exceeded program specific revenues by \$51.3 million. The remaining expenses were supported by general governmental revenues.

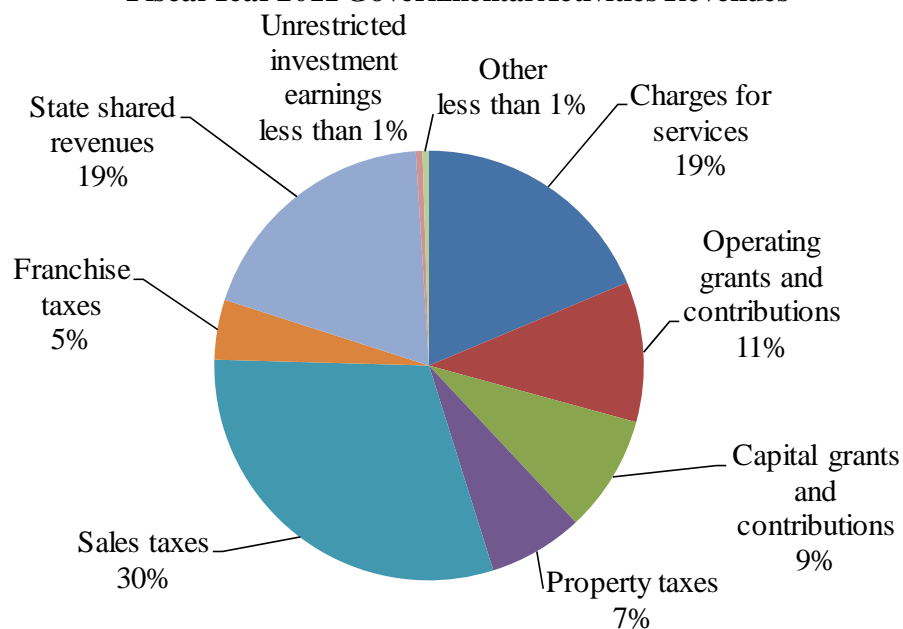
- ❖ Charges for services, operating grants and contributions, and capital grants and contributions account for 47% of total governmental revenues.
- ❖ Community oriented programs such as **Public Safety** (police, fire, and courts) and **Culture and Recreation** (parks, recreation, youth, and senior services) are subsidized by general governmental revenues. The City does not intend to charge for the total cost of these services directly.
 - The City of Surprise maintains a full-time paramedic-trained Fire Department funded by General Government revenues.
 - Culture and Recreation often charges a fee for services it provides, but usually that fee does not cover the entire cost of the service.
- ❖ **Community Development** revenues come primarily from construction related activities.
- ❖ **SLIDs** are Street Light Improvement Districts that charge a fee/tax to pay for the maintenance of light poles and the electricity used by neighborhood streetlights. Revenues and expenses for SLIDs are included in the public works and streets program.

Governmental Activities Revenues for the fiscal year ended June 30, 2012 totaled \$128.3 million and have been identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2012 Governmental Activities Revenues



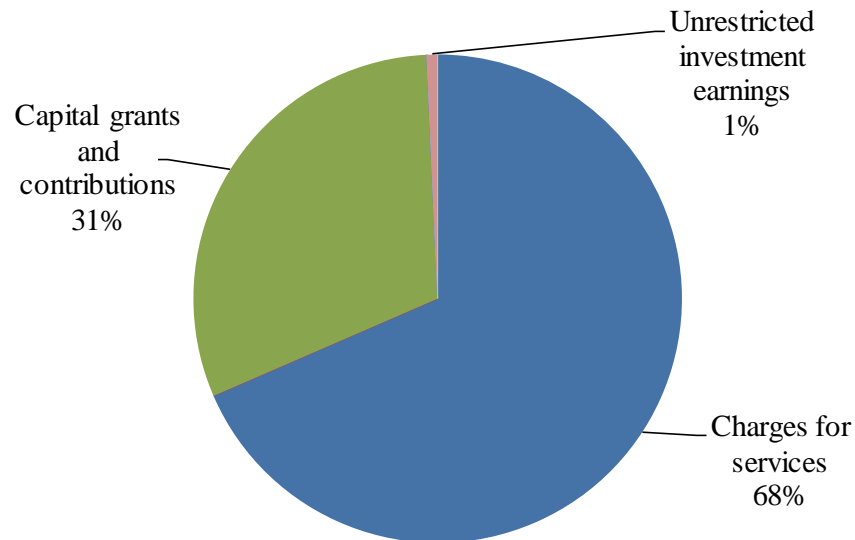
Fiscal Year 2011 Governmental Activities Revenues



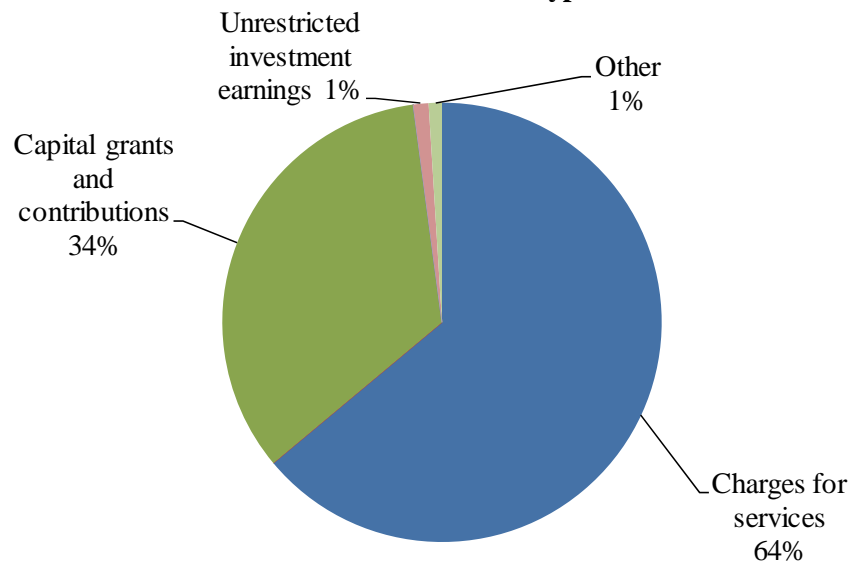
- ❖ The City's largest revenue source is sales taxes at \$33.3 million. This is followed by state shared revenues totaling \$23.4 million.
- ❖ Total governmental activities revenues increased \$29.8 million from the prior year as a result of the following increases in revenue: capital contributions increased \$23.8 million due to an increase in governmental related developments, state shared revenues increased \$4.7 million due to an increase in the City's proportional share of the population, and sales taxes increased \$3.4 million due an improving local economy.

Business Type Revenues for the fiscal year ended June 30, 2012 totaled \$47.1 million are identified by major revenue source in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2012 Business Type Revenues

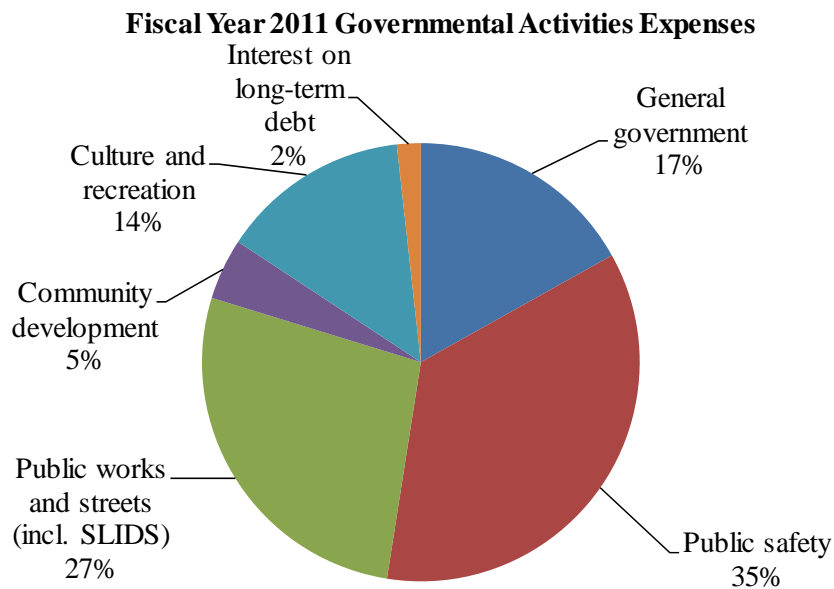
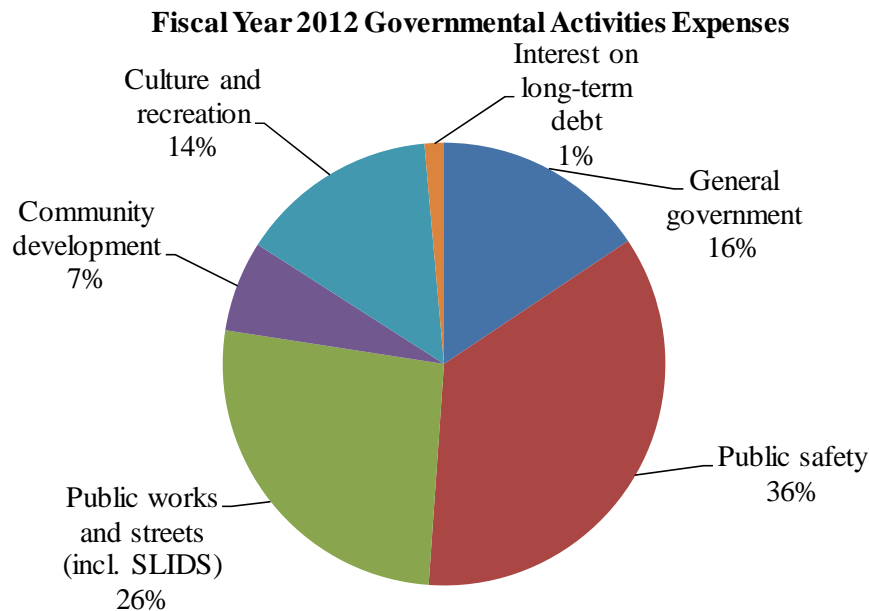


Fiscal Year 2011 Business Type Revenues



- ❖ Total Business Type Revenues decreased \$2.5 million from the prior fiscal year. The decrease was in large part due to a decrease in capital contributions totaling \$3.0 million resulting from fewer business type related developments.

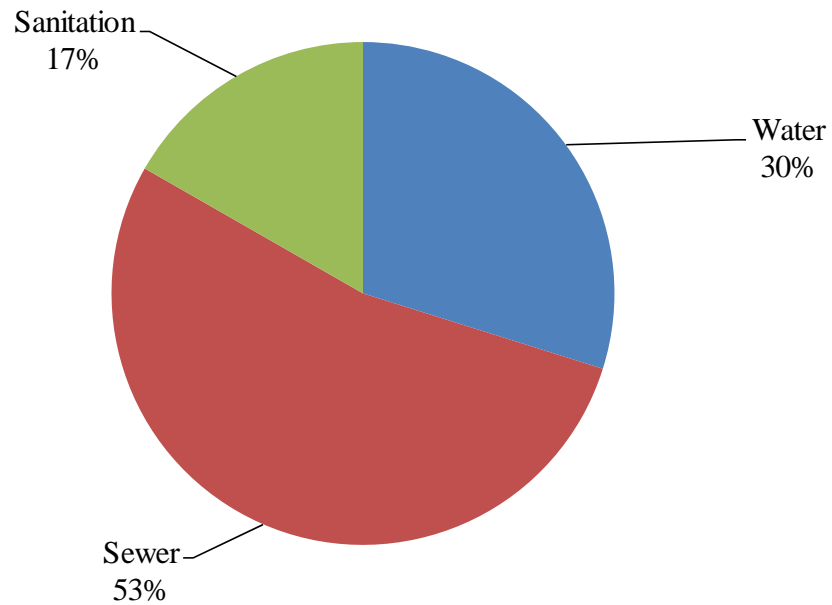
Governmental Activities Expenses for the fiscal year ended June 30, 2012 totaled \$111.7 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.



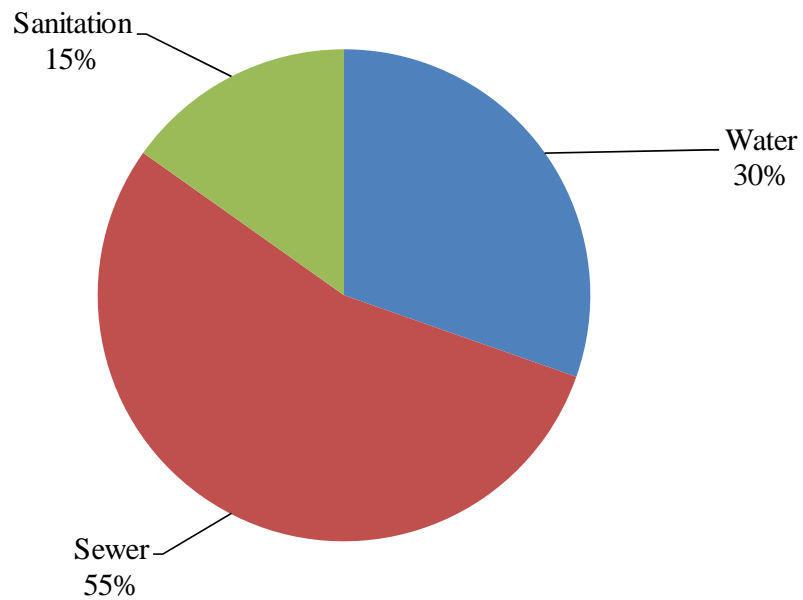
- ❖ Current year costs increased slightly by \$2.8 million. The single largest expense for the City is the cost of personnel. Public safety has the largest workforce paid from governmental funds. As a result, public safety comprises the largest portion of program expenditures at \$39.6 million, followed by public works and streets at \$29.4 million and general government at \$17.4 million.

Business Type Expenses for the fiscal year ended June 30, 2012 totaled \$36.2 million and are identified by function in percentage format. The prior year percentages have also been provided for comparison.

Fiscal Year 2012 Business Type Expenses



Fiscal Year 2011 Business Type Expenses



❖ Business Type expenses decreased slightly by \$0.8 million from the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- ❖ **Total Governmental Funds** fund balance increased \$4.4 million from \$28.1 million to \$32.5 million. The increase was primarily due to increases in sales taxes and state shared revenues. Of the total ending fund balance, \$0.7 million has been classified as nonspendable and is not available to meet future funding needs because it is not in spendable form or is legally or contractually required to be maintained intact. An additional \$27.0 million has been classified as restricted and consists of amounts restricted by external parties or as a result of the law. Of the remaining total, \$7.9 million has been committed to recognize a specific council determined purpose, these amounts may be used for another purpose with council's direction. There is \$42.8 million of fund balance which has been assigned to a specific purpose by the chief financial officer; these amounts may be used for other than their currently assigned positions if the chief financial officer deems it necessary. Finally, there is an unassigned fund balance of -\$45.9 million. This negative unassigned fund balance is the result of several development fee funds that currently have deficit cash balances. Interfund loans were created to replenish the cash balances in these funds and the future receipt of development fees will be used to repay these interfund loans.
 - The General Fund balance increased \$3.5 million. This change was the result of increases in sales taxes and state shared revenues. Sales taxes increased as a result of an improving economy. State shared revenues increased as a result of an increase in the City's proportional share of the population.
 - The General Capital Projects Fund balance decreased \$0.7 million due to the expiration of grant programs that were completed in the prior year.
 - The General Government Development Fee Fund contains \$43.7 million in advances from other funds which represents the current cash deficit in the fund. This amount will be reimbursed from future development fees to pay for the growth related capital improvements.
 - The Fire Development Fee Fund experienced an increase in fund balance of \$0.5 million as a result of development fee revenues exceeding expenditures for the current year. The fund used this income to pay down its interfund loan from \$7.1 million in the prior year to \$6.7 million this year. The remainder of the interfund loan will be repaid from future development fees.
 - The Highway User Revenue Fund balance increased \$0.2 million from \$0.3 million to \$0.5 million.
 - The Transportation Improvement fund balance increased \$0.8 million from \$1.7 million to \$2.5 million. This increase is the result of fewer road projects in the current year.
- ❖ **Proprietary Fund** financial statements provide similar information contained in the government-wide financial statements but in more detail. Their results are thoroughly discussed in the review of business type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ❖ The original General Fund budget for expenditures was \$72.8 million. Budget adjustments throughout the year increased total budgeted expenditures \$1.5 million to reach the final budget of \$74.3 million. There was a \$2.5 million increase in budgeted expenditures for community development in order to cover the costs of reimbursing permit fees in accordance with the City's agreements with local businesses.
- ❖ Actual General Fund expenditures totaling \$73.4 million were \$0.9 million less than budgeted. The variance between budgeted and actual expenditures was spread fairly evenly among all of the City's expenditures and was the result of conservative spending efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End, Net of Depreciation (in Millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>	<u>2012</u>	<u>2011*</u>
Land and improvements	\$ 33.5	\$ 32.9	\$ 4.9	\$ 4.9	\$ 38.4	\$ 37.8
Parks	10.3	10.3	-	-	10.3	10.3
Water rights	-	-	6.3	4.9	6.3	4.9
Construction in progress	4.8	5.8	3.6	0.2	8.4	6.0
Buildings and improvements	153.6	159.8	305.4	303.7	459.0	463.4
Improvements other than buildings	14.0	14.6	-	-	14.0	14.6
Equipment and vehicles	14.8	16.2	4.7	4.2	19.5	20.4
Infrastructure	243.8	225.5	-	-	243.8	225.4
Total capital assets net	<u>\$ 474.8</u>	<u>\$ 465.1</u>	<u>\$ 324.9</u>	<u>\$ 317.9</u>	<u>\$ 799.7</u>	<u>\$ 783.0</u>

* Amounts presented have been changed to reflect the prior period adjustments made.

The capital assets of the Governmental Activities funds increased by \$9.7 million from the prior fiscal year, net of depreciation (\$33.7 million increase before depreciation).

- ❖ Changes to the Governmental Activities capital assets for fiscal year 2012 were the result of:
 - Current year depreciation expense of \$24.7 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of streets and easements.
 - \$18.2 million – Prasada.
 - \$5.8 million – Asante.
 - \$2.5 million – Desert Oasis Parcel B6, B7, 10, 14C, & 13A.
 - \$1.0 million – Bell & Dysart Commerce Center.
 - \$0.9 million – Wal-Mart Neighborhood Marketplace.
 - \$0.6 million – Other Small Businesses & Churches.
 - \$0.6 million – Prasada Easement.
 - \$0.4 million – Surprise Farms Phase 5, Parcels 3 & 5.

- ❖ Governmental Activities construction in process includes:
 - \$1.6 million for Traffic Signal Master.
 - \$0.9 million for Bell Road Landscaping and Lighting.
 - \$0.5 million for Fiber Optics Loop 303, Bell, & Peoria Ave.
 - \$0.4 million for Paving Settlement W of 219th Avenue.
 - \$0.3 million for the Park and Ride.
 - \$0.3 million for El Mirage Road – Northern to Bell.
 - \$0.2 million for SR303 Peoria to Mountain View.
 - \$0.2 million for Dove Valley Parkway 163rd to 179th.
 - \$0.2 million for Bell Road Sidewalks.
 - \$0.1 million for the Bullard Library.
 - \$0.1 million for Martin Acres Flood Control, Hansen Version 8 Upgrade & Fire Equipment.

The capital assets of the Business Type Activities funds increased by \$7.0 million from the prior fiscal year, net of depreciation (\$17.2 million increase before depreciation).

- ❖ Changes to the Business Type Activities capital assets for fiscal year 2012 were the result of:
 - Current year depreciation expense of \$10.2 million.
 - Capital asset infrastructure donations made to the City. The assets donated consisted of water and sewer utilities.
 - \$3.1 million – Asante.
 - \$2.5 million – Prasada.
 - \$2.3 million – Desert Oasis Parcels B6, B7, B10, 13A, & 14C.
 - \$1.8 million – Summit Business Park.
 - \$0.5 million – Other Small Businesses & Churches.
 - \$0.2 million – Wal-Mart Neighborhood Marketplace.
 - \$0.2 million – Westfield Commons Sunrise Blvd.
 - \$0.2 million – Surprise Farms Phase 5 Parcels 3 & 5.
- ❖ Business Type Activities construction in process - includes:
 - \$3.0 million for the construction of recharge wells in SPA 1 at South Plant.
- ❖ For more detailed information on Capital Assets see Note 5 of this report.

Outstanding Debt at Year-End (in Millions)

	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Municipal property corporation bonds	\$ 22.1	\$ 24.3	\$ 60.3	\$ 61.2	\$ 82.3	\$ 85.5
Community facilities districts bonds	7.7	7.9	-	-	7.7	7.9
Contracts and developer payable	2.9	1.2	0.8	0.5	3.7	1.7
Notes payable	-	-	-	1.3	-	1.3
Total debt outstanding	<u>\$ 32.7</u>	<u>\$ 33.4</u>	<u>\$ 61.1</u>	<u>\$ 63.0</u>	<u>\$ 93.7</u>	<u>\$ 96.4</u>

- ❖ **Long-term debt** decreased this year from \$96.4 million to \$93.7 million as a result of the current year repayments of principal. The City paid off the remaining \$1.3 million dollar obligation on the WIFA loan.
- ❖ For more detailed information on long-term debt see Note 8 of this report.

ECONOMIC FACTORS, RATES, AND NEXT YEAR'S BUDGET

- ❖ **Revenues are expected to increase slightly** – City sales tax is expected to increase 9%, or \$2.6 million as consumer spending continues to improve with the economy. State shared revenues are projected to increase by \$3.0 million, or 10% from the current year. The City is the tenth largest in Arizona, representing 2.3% of the entire population.
- ❖ **Personnel reduction** – 33 full time equivalent positions for fiscal year 2013 have been eliminated, which will result in a \$3.0 million reduction in costs.
- ❖ **Next year's budget** – Total budgeted expenditures for the General Fund for fiscal year 2013 are \$72.5 million, a decrease of \$1.6 million over the current year's final budgeted expenditures. The decrease in the budget is the result of decreases in budgeted General Fund expenditures in the public works, information technology and city court departments to more closely align with actual expenditures in these departments in fiscal year 2012.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the City of Surprise's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Chief Financial Officer at: 16000 North Civic Center Plaza, Surprise, Arizona 85374.



FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The third subsection is comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The first component is comprised of the government-wide financial statements. These financial statements incorporate all of the City's governmental and business-type activities. The business-type activities are financed in whole or in part by fees charged to external parties for goods or services. There are two basic government-wide financial statements: the statement of net assets and the statement of activities.

City of Surprise, Arizona

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 43,966,716	\$ 32,382,754	\$ 76,349,470
Receivables			
Accounts	616,069	6,576,578	7,192,647
Interest	202,459	-	202,459
Taxes and franchise fees	6,928,151	-	6,928,151
Grants	370,112	-	370,112
Intergovernmental	2,933,616	-	2,933,616
Internal balances	(15,254,827)	15,254,827	-
Other	549,090	339,404	888,494
Bond issuance cost, net of amortization	785,664	1,403,229	2,188,893
Prepaid items and other assets	318,984	16,981	335,965
Inventory	430,368	901,305	1,331,673
Restricted cash and investments	8,570,199	15,760,196	24,330,395
Capital assets, non-depreciable	48,610,136	14,775,933	63,386,069
Capital assets, depreciable	628,559,676	364,751,333	993,311,009
Accumulated depreciation	(202,338,088)	(54,644,338)	(256,982,426)
Total assets	525,248,325	397,518,202	922,766,527
Liabilities			
Accounts payable	3,709,954	1,867,257	5,577,211
Accrued payroll and related taxes	925,289	131,652	1,056,941
Deposits	237,904	534,401	772,305
Unearned revenues	1,127,189	833,091	1,960,280
Contracts payable, due in less than one year	1,970,623	583,394	2,554,017
Contracts payable, due in more than one year	883,740	241,983	1,125,723
Insurance claims payable	1,412,789	-	1,412,789
Other liabilities	271,870	161,754	433,624
Compensated absences payable, due in less than one year	2,142,906	294,282	2,437,188
Compensated absences payable, due in more than one year	2,727,335	374,540	3,101,875
Matured bond and loan interest payable	794,409	839,074	1,633,483
Matured bonds and loans payable	2,449,900	980,100	3,430,000
Bonds, loans and payables due in less than one year	2,533,138	1,011,864	3,545,002
Bonds, loans and payables due in more than one year	27,262,759	59,226,426	86,489,185
Total liabilities	48,449,805	67,079,818	115,529,623
Net Assets			
Invested in capital assets, net of related debt	445,035,827	269,712,138	714,747,965
Restricted for:			
Public works	9,459,852	-	9,459,852
Sewer system repair and replacement	-	5,112,471	5,112,471
Debt service	3,563,111	1,545,035	5,108,146
Parks	4,543,489	-	4,543,489
Library	4,382,138	-	4,382,138
Transportation	2,234,211	-	2,234,211
Police	2,196,285	-	2,196,285
Court	481,787	-	481,787
Contractual obligations	79,170	-	79,170
Fire	68,685	-	68,685
Other	3,021	15,652	18,673
Unrestricted	4,750,944	54,053,088	58,804,032
Total net assets	\$ 476,798,520	\$ 330,438,384	\$ 807,236,904

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Activities
Fiscal Year Ended June 30, 2012

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 17,438,582	\$ 6,435,843	\$ 6,307	\$ 941,491
Public safety	39,628,843	3,096,058	1,221,486	925,210
Public works and streets	29,415,043	3,238,179	6,385,858	29,917,216
Community development	7,401,566	1,622,594	337,252	-
Culture and recreation	16,189,568	5,307,491	256,227	665,343
Interest on long-term debt	1,594,060	-	-	-
Total governmental activities	<u>111,667,662</u>	<u>19,700,165</u>	<u>8,207,130</u>	<u>32,449,260</u>
Business-type activities:				
Water	10,792,041	10,047,169	-	5,336,200
Sewer	19,325,017	15,481,721	-	9,166,014
Sanitation	6,047,844	6,700,961	-	-
Total business-type activities	<u>36,164,902</u>	<u>32,229,851</u>	<u>-</u>	<u>14,502,214</u>
Total primary government	<u>\$ 147,832,564</u>	<u>\$ 51,930,016</u>	<u>\$ 8,207,130</u>	<u>\$ 46,951,474</u>

General revenues:
 Property taxes
 Sales taxes
 Franchise taxes
 State shared revenues
 Unrestricted investment earnings
 Other
Transfers in (out)
 Total general revenues and transfers
 Change in net assets
Net assets - beginning, as restated
Net assets - ending

(Continued)

Net (Expense) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (10,054,941)		\$ (10,054,941)
(34,386,089)		(34,386,089)
10,126,210		10,126,210
(5,441,720)		(5,441,720)
(9,960,507)		(9,960,507)
(1,594,060)		(1,594,060)
<u>(51,311,107)</u>		<u>(51,311,107)</u>
	\$ 4,591,328	4,591,328
	5,322,718	5,322,718
	653,117	653,117
	<u>10,567,163</u>	<u>10,567,163</u>
<u>(51,311,107)</u>	<u>10,567,163</u>	<u>(40,743,944)</u>
6,112,789	-	6,112,789
33,266,049	-	33,266,049
4,547,621	-	4,547,621
23,434,911	-	23,434,911
304,846	331,127	635,973
297,016	-	297,016
968,148	(968,148)	-
<u>68,931,380</u>	<u>(637,021)</u>	<u>68,294,359</u>
<u>17,620,273</u>	<u>9,930,142</u>	<u>27,550,415</u>
<u>459,178,247</u>	<u>320,508,242</u>	<u>779,686,489</u>
<u>\$ 476,798,520</u>	<u>\$ 330,438,384</u>	<u>\$ 807,236,904</u>

See accompanying notes to the financial statements.





FINANCIAL SECTION - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fourth subsection is also comprised of the Basic Financial Statements that are the core of general-purpose external financial reporting for local governments, and are separated into three components. The second component is comprised of the fund financial statements. These financial statements are presented on the basis of funds, in contrast to the government-wide financial statements.



City of Surprise, Arizona

Balance Sheet

Governmental Funds

June 30, 2012

				General Government Development Fee Fund	Fire Development Fee Fund
	General Fund	General Capital Projects Fund			
Assets					
Cash and investments	\$ 4,707,964	\$ 8,424,124	\$ 43,939	\$ -	
Receivables (net of allowances)					
Accounts	616,069	-	-	-	
Interest	202,459	-	-	-	
Taxes and franchise fees	6,428,746	-	-	-	
Grants	-	164,148	-	-	
Intergovernmental	1,881,613	-	-	-	
Due from other funds	243,599	-	-	-	
Other	405,533	14,400	-	-	
Prepaid items and other assets	313,589	-	-	-	
Inventory	323,924	-	-	-	
Restricted cash and investments	289,608	-	-	68,685	
Advances to other funds	-	39,454,852	-	-	
Total assets	<u>\$ 15,413,104</u>	<u>\$ 48,057,524</u>	<u>\$ 43,939</u>	<u>\$ 68,685</u>	
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,993,796	\$ 833,973	\$ 38,497	\$ 4,676	
Accrued payroll and related taxes	863,177	-	-	-	
Due to other funds	-	-	-	-	
Deposits	136,977	-	-	-	
Deferred revenues	1,667,907	-	-	-	
Contracts payable	1,797,194	-	-	-	
Other liabilities	24,606	-	-	-	
Matured bond interest payable	-	-	-	-	
Matured bonds payable	-	-	-	-	
Advances from other funds	3,435,648	-	43,708,467	6,701,559	
Total liabilities	<u>9,919,305</u>	<u>833,973</u>	<u>43,746,964</u>	<u>6,706,235</u>	
Fund balances:					
Nonspendable	637,513	-	-	-	
Restricted	79,170	-	-	68,685	
Committed	-	5,830,989	-	-	
Assigned	317,343	41,392,562	-	-	
Unassigned	4,459,773	-	(43,703,025)	(6,706,235)	
Total fund balances (deficits)	<u>5,493,799</u>	<u>47,223,551</u>	<u>(43,703,025)</u>	<u>(6,637,550)</u>	
Total liabilities and fund balances	<u>\$ 15,413,104</u>	<u>\$ 48,057,524</u>	<u>\$ 43,939</u>	<u>\$ 68,685</u>	

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,268,253	\$ 23,749,503	\$ 39,193,783
-	-	-	616,069
-	-	-	202,459
-	396,645	102,760	6,928,151
-	-	205,964	370,112
1,052,003	-	-	2,933,616
-	-	-	243,599
14	20,000	71	440,018
400	-	-	313,989
106,444	-	-	430,368
2,000	460,927	7,748,979	8,570,199
-	-	-	39,454,852
<u>\$ 1,160,861</u>	<u>\$ 3,145,825</u>	<u>\$ 31,807,277</u>	<u>\$ 99,697,215</u>

\$ 354,263	\$ 35,233	\$ 376,689	\$ 3,637,127
53,456	-	5,201	921,834
184,676	-	58,923	243,599
-	100,927	-	237,904
2,000	380,000	774,077	2,823,984
-	48,978	124,451	1,970,623
81,173	46,809	119,282	271,870
-	-	794,409	794,409
-	-	2,449,900	2,449,900
-	-	-	53,845,674
<u>675,568</u>	<u>611,947</u>	<u>4,702,932</u>	<u>67,196,924</u>

106,844	-	-	744,357
117,164	-	26,746,730	27,011,749
-	1,760,929	324,039	7,915,957
261,285	772,949	33,576	42,777,715
-	-	-	(45,949,487)
<u>485,293</u>	<u>2,533,878</u>	<u>27,104,345</u>	<u>32,500,291</u>
<u>\$ 1,160,861</u>	<u>\$ 3,145,825</u>	<u>\$ 31,807,277</u>	<u>\$ 99,697,215</u>

City of Surprise, Arizona

Reconciliation of the Governmental Funds Balance Sheet Fund Balances
to the Statement of Net Assets
Fiscal Year Ended June 30, 2012

Fund balances - total governmental funds **\$ 32,500,291**

Amounts reported for *governmental activities* in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Governmental capital assets	677,169,812	
Less accumulated depreciation	<u>(202,338,088)</u>	
		474,831,724

Some revenues will not be available to pay for current-period expenditures
and, therefore, are deferred in the funds. 1,696,795

Internal Service Funds used by management to charge cost of
employee healthcare and risk management to individual funds
are included in the Statement of Net Assets.

Net assets (adjusted for interfund activity)	2,524,262	
Compensated absences	<u>9,662</u>	
		2,533,924

Long-term liabilities are not due and payable in the
current period and, therefore, are not reported in
the funds.

Bonds payable	(29,974,325)	
Contracts payable	(883,740)	
Issuance premium (to be amortized as interest expense)	(777,142)	
Refunding (to be amortized over the life of debt)	955,570	
Issuance cost (to be amortized over life of debt)	785,664	
Compensated absences payable	<u>(4,870,241)</u>	
		<u>(34,764,214)</u>

Net assets of governmental activities **\$ 476,798,520**

See accompanying notes to the financial statements.



City of Surprise, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2012

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund
Revenues:				
Taxes	\$ 37,108,631	\$ -	\$ -	\$ -
Licenses and permits	4,586,621	-	-	-
Intergovernmental	23,786,928	-	-	-
Charges for services	6,788,608	-	-	-
Grants	-	198,735	-	-
Fines	1,352,612	-	-	-
Rents	580,820	-	-	-
Development fees	-	-	557,843	618,681
Interest	7,456	57,604	-	1,605
Donations	256,065	-	-	-
Indirect charges	3,660,700	-	-	-
Other	974,975	34,692	128,947	13,376
Total revenues	<u>79,103,416</u>	<u>291,031</u>	<u>686,790</u>	<u>633,662</u>
Expenditures:				
Current				
General government	12,265,123	-	12,731	12,493
Public safety	35,088,408	-	-	-
Public works and streets	6,011,657	-	-	-
Community development	6,602,043	-	-	-
Culture and recreation	13,293,650	-	-	-
Capital outlay	177,301	2,723,608	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>73,438,182</u>	<u>2,723,608</u>	<u>12,731</u>	<u>12,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,665,234</u>	<u>(2,432,577)</u>	<u>674,059</u>	<u>621,169</u>
Other financing sources (uses)				
Transfers in	968,148	1,685,089	-	-
Transfers out	(3,251,506)	-	(667,359)	(121,602)
Total other financing sources (uses)	<u>(2,283,358)</u>	<u>1,685,089</u>	<u>(667,359)</u>	<u>(121,602)</u>
Net change in fund balances	<u>3,381,876</u>	<u>(747,488)</u>	<u>6,700</u>	<u>499,567</u>
Fund balances (deficits), beginning, as restated	2,030,272	47,971,039	(43,709,725)	(7,137,117)
Increase (decrease) in inventories	<u>81,651</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), ending	<u>\$ 5,493,799</u>	<u>\$ 47,223,551</u>	<u>\$ (43,703,025)</u>	<u>\$ (6,637,550)</u>

See accompanying notes to the financial statements.

Highway User Revenue Fund	Transportation Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,001,197	\$ 3,180,281	\$ 42,290,109
-	-	-	4,586,621
5,914,237	-	774,863	30,476,028
18,700	-	245,179	7,052,487
-	-	1,427,799	1,626,534
-	-	517,590	1,870,202
-	-	-	580,820
-	-	1,238,766	2,415,290
472	17,668	193,372	278,177
-	-	1,307	257,372
-	-	-	3,660,700
23,833	-	-	1,175,823
<u>5,957,242</u>	<u>2,018,865</u>	<u>7,579,157</u>	<u>96,270,163</u>
-	189,386	147,989	12,627,722
-	-	504,446	35,592,854
5,797,073	28,601	2,869,181	14,706,512
-	51,549	682,785	7,336,377
-	-	127,888	13,421,538
-	917,683	1,359,236	5,177,828
-	-	2,449,900	2,449,900
-	2,500	1,591,560	1,594,060
<u>5,797,073</u>	<u>1,189,719</u>	<u>9,732,985</u>	<u>92,906,791</u>
<u>160,169</u>	<u>829,146</u>	<u>(2,153,828)</u>	<u>3,363,372</u>
-	-	3,396,710	6,049,947
-	-	(1,041,332)	(5,081,799)
-	-	2,355,378	968,148
<u>160,169</u>	<u>829,146</u>	<u>201,550</u>	<u>4,331,520</u>
344,424	1,704,732	26,902,795	28,106,420
(19,300)	-	-	62,351
<u>\$ 485,293</u>	<u>\$ 2,533,878</u>	<u>\$ 27,104,345</u>	<u>\$ 32,500,291</u>

City of Surprise, Arizona

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Fiscal Year Ended June 30, 2012

Net change in fund balances, total governmental funds		\$ 4,331,520
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	4,674,068	
Less current year depreciation	<u>(24,657,421)</u>	(19,983,353)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		
Capital contributions	30,008,099	
Losses on disposals of assets	<u>(320,678)</u>	29,687,421
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		349,028
Internal service funds are used by management to charge the costs of employee healthcare and risk management. The net revenue of certain activities of the internal services funds is reported in the Statement of Activities.		
Change in net assets for the internal service funds (adjusted for interfund activity)	1,269,614	
Change in compensated absences already included below	<u>6,648</u>	1,276,262
Inventories are recorded using the purchases method in the governmental funds and an adjustment is made to record inventory using the consumption method for the Statement of Activities.		
Change in inventory		62,351
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Also, the effect of issuance costs, premiums, discounts and similar items when debt is first issued. These items are current finance resources or uses to governmental funds whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term liabilities and debt related items.		
Contracts payable paid	213,398	
Principal paid	2,449,900	
Issuance cost	(53,677)	
Issuance premium	91,427	
Refunding	<u>(112,422)</u>	2,588,626
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Increase in compensated absences		<u>(691,582)</u>
Change in net assets of governmental activities, statement of activities		<u>\$ 17,620,273</u>

See accompanying notes to the financial statements.



City of Surprise, Arizona

Statement of Net Assets

Proprietary Funds

June 30, 2012

Business-Type Activities - Enterprise Funds

	Water Fund	Sewer Fund	Sanitation Fund
Assets			
Current assets			
Cash and investments	\$ 9,097,666	\$ 14,871,213	\$ 8,413,875
Restricted cash and investments	192,781	15,281,815	285,600
Receivables (net of allowances)			
Accounts	2,211,881	3,175,002	1,189,695
Other	97,522	229,225	12,657
Other assets	11,820	2,864	2,297
Inventory	20,771	811,904	68,630
Total current assets	<u>11,632,441</u>	<u>34,372,023</u>	<u>9,972,754</u>
Noncurrent assets			
Advances to other funds	-	14,390,822	-
Bond issuance cost, net of amortization	-	1,403,229	-
Capital assets	107,861,212	265,859,779	5,806,275
Accumulated depreciation	(11,578,946)	(40,252,058)	(2,813,334)
Total noncurrent assets	<u>96,282,266</u>	<u>241,401,772</u>	<u>2,992,941</u>
Total assets	<u>107,914,707</u>	<u>275,773,795</u>	<u>12,965,695</u>
Liabilities			
Current liabilities:			
Accounts payable	846,986	747,494	272,777
Accrued payroll and related taxes	38,606	50,052	42,994
Deposits	99,777	272,613	162,011
Unearned revenues	-	709,502	123,589
Insurance claims payable	-	-	-
Compensated absences payable	102,350	123,980	67,952
Other liabilities	14,043	147,711	-
Contracts payable	179,773	403,621	-
Matured bond and loan interest payable	-	839,074	-
Matured bonds and loans payable	-	980,100	-
Bonds, loans and payables due in less than one year	-	1,011,864	-
Total current liabilities	<u>1,281,535</u>	<u>5,286,011</u>	<u>669,323</u>
Noncurrent liabilities:			
Contracts payable	-	241,983	-
Compensated absences payable, due in more than one year	130,264	157,792	86,484
Bonds, loans and payables due in more than one year	-	59,226,426	-
Total noncurrent liabilities	<u>130,264</u>	<u>59,626,201</u>	<u>86,484</u>
Total liabilities	<u>1,411,799</u>	<u>64,912,212</u>	<u>755,807</u>
Net Assets			
Invested in capital assets, net of related debt	96,282,266	170,436,931	2,992,941
Restricted			
Sewer system repair and replacement	-	5,112,471	-
Debt service	-	1,545,035	-
Other	-	15,652	-
Unrestricted	10,220,642	33,751,494	9,216,947
Total net assets	<u>\$ 106,502,908</u>	<u>\$ 210,861,583</u>	<u>\$ 12,209,888</u>
Adjustment to reflect the consolidation of the internal service funds related to the enterprise fund.			
Total net assets of the business-type activities			

See accompanying notes to the financial statements.

		Governmental Activities
Total Enterprise Funds	Internal Service Fund	
\$ 32,382,754	\$ 4,772,933	
15,760,196	-	
6,576,578	-	
339,404	109,072	
16,981	4,995	
901,305	-	
<u>55,977,218</u>	<u>4,887,000</u>	
14,390,822	-	
1,403,229	-	
379,527,266	-	
(54,644,338)	-	
<u>340,676,979</u>	<u>-</u>	
<u>396,654,197</u>	<u>4,887,000</u>	
1,867,257	72,827	
131,652	3,455	
534,401	-	
833,091	-	
-	1,412,789	
294,282	4,251	
161,754	-	
583,394	-	
839,074	-	
980,100	-	
1,011,864	-	
<u>7,236,869</u>	<u>1,493,322</u>	
241,983	-	
374,540	5,411	
<u>59,226,426</u>	<u>-</u>	
<u>59,842,949</u>	<u>5,411</u>	
<u>67,079,818</u>	<u>1,498,733</u>	
269,712,138	-	
5,112,471	-	
1,545,035	-	
15,652	-	
<u>53,189,083</u>	<u>3,388,267</u>	
<u>\$ 329,574,379</u>	<u>\$ 3,388,267</u>	
864,005		
<u>\$ 330,438,384</u>		

City of Surprise, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues:			
Charges for services	\$ 9,909,915	\$ 15,394,389	\$ 6,631,972
Other	87,400	-	-
Total operating revenues	9,997,315	15,394,389	6,631,972
Operating Expenses:			
Cost of sales and services	6,304,678	7,701,197	4,704,621
Indirect costs	1,453,900	1,349,000	857,800
Depreciation	2,695,488	6,969,284	485,423
Total operating expenses	10,454,066	16,019,481	6,047,844
Operating income (loss)	(456,751)	(625,092)	584,128
Non-operating revenues (expenses)			
Development fees	671,398	2,038,187	-
Extension fees	-	52,642	-
Developer reimbursement	(289,098)	(400,905)	-
Interest revenue	71,701	193,304	66,122
Amortization of bond issuance costs	(22,603)	(83,275)	-
Interest and fiscal charges	(26,274)	(2,821,356)	-
Total non-operating revenues (expenses)	405,124	(1,021,403)	66,122
Income (loss) before contributions and transfers	(51,627)	(1,646,495)	650,250
Capital contributions	4,664,802	7,075,185	-
Transfers out	(339,302)	(597,879)	(30,967)
Changes in net assets	4,273,873	4,830,811	619,283
Net assets, beginning, as restated	102,229,035	206,030,772	11,590,605
Net assets, ending	\$ 106,502,908	\$ 210,861,583	\$ 12,209,888
Adjustment to reflect consolidation of internal service funds related to the enterprise fund.			
Total change in net assets of the business-type activities			

See accompanying notes to the financial statements.

		Governmental Activities	
Total Enterprise Funds		Internal Service Fund	
\$	31,936,276	\$	9,755,767
	87,400		-
	32,023,676		9,755,767
	18,710,496		8,306,647
	3,660,700		-
	10,150,195		-
	32,521,391		8,306,647
	(497,715)		1,449,120
	2,709,585		-
	52,642		-
	(690,003)		-
	331,127		26,669
	(105,878)		-
	(2,847,630)		-
	(550,157)		26,669
	(1,047,872)		1,475,789
	11,739,987		-
	(968,148)		-
	9,723,967		1,475,789
	319,850,412		1,912,478
\$	329,574,379	\$	3,388,267
	206,175		
\$	9,930,142		

City of Surprise, Arizona
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-Type Activities			Business-Type Activities	Governmental Activities Internal Service Funds
	Water Fund	Sewer Fund	Sanitation Fund	Total	
Cash flows from operating activities					
Cash received from customers	\$ 9,984,232	\$ 14,994,402	\$ 6,661,037	\$ 31,639,671	\$ 9,766,689
Cash paid to suppliers	(5,083,326)	(6,083,816)	(3,216,237)	(14,383,379)	(7,771,158)
Cash paid to employees	(2,461,942)	(2,800,443)	(2,407,050)	(7,669,435)	(237,272)
Other operating cash receipts	87,400	-	-	87,400	-
Net cash provided by operating activities	2,526,364	6,110,143	1,037,750	9,674,257	1,758,259
Cash flows from capital and related financing activities					
Proceeds received from development fees	671,398	2,038,187	-	2,709,585	-
Proceeds received from extension fees	-	52,642	-	52,642	-
Principal and interest paid on bonds, loans and payables	(1,427,803)	(3,776,349)	-	(5,204,152)	-
Sale/acquisitions of capital assets	(1,883,366)	(2,394,851)	(1,349,245)	(5,627,462)	-
Net cash provided by (used in) capital and related financing activities	(2,639,771)	(4,080,371)	(1,349,245)	(8,069,387)	-
Cash flows from noncapital financing activities					
Cash received from other funds	1,195,648	440,709	-	1,636,357	-
Cash paid to other funds	(1,534,949)	(597,879)	(30,967)	(2,163,795)	-
Net cash provided by (used in) noncapital and related financing activities	(339,301)	(157,170)	(30,967)	(527,438)	-
Cash flows from investing activities					
Sales of investments	-	3,831,984	-	3,831,984	-
Purchases of investments	-	(3,899,949)	-	(3,899,949)	-
Cash received from interest income	71,700	193,298	66,122	331,120	26,669
Net cash provided by investing activities	71,700	125,333	66,122	263,155	26,669
Net change in cash	(381,008)	1,997,935	(276,340)	1,340,587	1,784,928
Cash, beginning of year	9,671,455	20,728,208	8,975,815	39,375,478	2,988,005
Cash, end of year	\$ 9,290,447	\$ 22,726,143	\$ 8,699,475	\$ 40,716,065	\$ 4,772,933
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (456,751)	\$ (625,092)	\$ 584,128	\$ (497,715)	\$ 1,449,120
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation expense	2,695,488	6,969,284	485,423	10,150,195	-
(Increase) decrease in assets:					
Accounts receivable	141,055	(349,592)	22,592	(185,945)	-
Other receivables	(72,101)	76,203	13,627	17,729	10,919
Other assets	(4,563)	(232)	(2,085)	(6,880)	(4,995)
Inventory	(20,771)	(36,082)	(68,630)	(125,483)	-
Increase (decrease) in liabilities:					
Accounts payable	191,211	113,050	(34,358)	269,903	23,013
Accrued payroll and related taxes	862	(2,362)	5,019	3,519	353
Deposits	13,688	17,822	11,507	43,017	-
Deferred revenue	-	(71,890)	(18,661)	(90,551)	-
Insurance claims payable	-	-	-	-	273,201
Compensated absences payable	38,246	19,034	39,188	96,468	6,648
Total adjustments	2,983,115	6,735,235	453,622	10,171,972	309,139
Net cash provided by operating activities	\$ 2,526,364	\$ 6,110,143	\$ 1,037,750	\$ 9,674,257	\$ 1,758,259
Noncash capital activities					
Capital asset contributions from developers	\$ 4,664,802	\$ 7,075,185	\$ -	\$ 11,739,987	\$ -
Total	\$ 4,664,802	\$ 7,075,185	\$ -	\$ 11,739,987	\$ -
Reconciliation to Statement of Net Assets					
Cash and investments	\$ 9,097,666	\$ 14,871,213	\$ 8,413,875	\$ 32,382,754	\$ 4,772,933
Restricted cash and investments	192,781	15,281,815	285,600	15,760,196	-
Total cash and investments	\$ 9,290,447	\$ 30,153,028	\$ 8,699,475	\$ 48,142,950	\$ 4,772,933
Less investments	-	(7,426,885)	-	(7,426,885)	-
Total cash	\$ 9,290,447	\$ 22,726,143	\$ 8,699,475	\$ 40,716,065	\$ 4,772,933

See accompanying notes to the financial statements.

City of Surprise, Arizona
Statement of Fiduciary Net Assets
Pension Trust Fund
June 30, 2012

	Volunteer Firefighters Pension and Relief Fund
Assets	
Cash and investments	\$ 43,215
Total assets	43,215
Net Assets Held in Trust for Pension Benefits	
Total net assets	\$ 43,215

See accompanying notes to the financial statements.

City of Surprise, Arizona

Statement of Changes in Fiduciary Net Assets

Pension Trust Fund

Fiscal Year Ended June 30, 2012

	Volunteer Firefighters Pension and Relief Fund
	<hr/>
Additions	
Interest	\$ 705
	<hr/>
Total additions	705
	<hr/>
Deductions	
Public safety	57,210
	<hr/>
Total deductions	57,210
	<hr/>
Net decrease	(56,505)
	<hr/>
Net Assets, beginning of year	99,720
	<hr/>
Net Assets, end of year	\$ 43,215
	<hr/> <hr/>

See accompanying notes to the financial statements.



FINANCIAL SECTION - NOTES TO THE FINANCIAL STATEMENTS

The Financial Section is divided into five subsections. The fifth subsection is also comprised of the Basic Financial Statements, which are the core of general-purpose external financial reporting for local governments, and are separated into three components. In addition to the government-wide and fund financial statements, the third component, the notes to the basic financial statements are an integral part of the those financial statements, and include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Surprise, Arizona (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The City is located approximately 20 miles northwest of downtown Phoenix and was incorporated in 1960 under the provision of the Arizona Constitution. During 2003, the voters approved the Home Rule, an alternative expenditure limitation for budget years through June 30, 2007. City of Surprise voters approved an Alternative Expenditure Limitation (Permanent Base Adjustment) on November 7, 2006. The City is governed by an elected mayor, and a six member council, and offers the following services: public safety (police and fire), highways and streets, sanitation, water, sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. A primary government is considered financially accountable for another organization when it can impose its will or have a financial benefit or burden relationship. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The following entities are blended component units of the City:

The Surprise Municipal Property Corporation (Corporation) is an Arizona nonprofit corporation formed under the provision of Title 10 of the Arizona Revised Statutes. The Corporation was organized to acquire, construct, reconstruct, or improve buildings and other real and personal property suitable for leasing or sale to the City.

Various Street Lighting Improvement Districts (SLIDs) are maintained by the City for developing areas, and the City's council is the board for the SLIDs. The SLID property tax assessment rates are approved by the City's council. The SLIDs are reported in a special revenue fund.

Marley Park Community Facilities District (CFD) is maintained by the City for a developing area. The CFD's board is the same as the City's council. CFD property tax rates are approved by the City's council. The CFD is reported in a special revenue fund.

Volunteer Firefighters' Pension and Trust Board of Trustees administers the Volunteer Firefighters' Pension and Relief Fund, which was established to provide pension benefits for qualified volunteer firefighters. The City's council is the same as the Board of Trustees. As there have been no eligible participants since 1998, there are no remaining beneficiaries of the fund or encumbrances against it, the City is using the remaining cash to help fund the alternate fire pension and benefit program.

For the fiscal year ended June 30, 2012, the City had no discretely presented component units.

NOTES TO FINANCIAL STATEMENTS

RELATED ORGANIZATIONS

A related organization is one for which the primary government is not financially accountable even though the primary government appoints a voting majority of the organization's governing board.

EXCLUDED ORGANIZATIONS

Although there are schools located within the geographic boundaries of the City, school districts are separate from the municipalities in which they are located, with their own elected officials and taxing powers. Consequently, the report does not include the activities of the area school districts.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

The government-wide statements of activities present a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activity. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end and on behalf of the government are also recognized as revenue. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds include the following:

The ***general fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***general capital projects fund***, a capital projects fund, accounts for revenues and expenditures relating to the acquisition of capital items.

The ***general government development fee fund***, a special revenue fund, accounts for revenues and expenditures associated with general government development impact fees assessed to fund infrastructure and other expenditures for growth-related general government projects.

The ***fire development fee fund****, a special revenue fund, accounts for revenues and expenditures associated with fire development impact fees assessed to fund infrastructure and other expenditures for growth-related fire service projects.

The ***highway user revenue fund****, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures for transportation and the construction, repairs, and maintenance of public works and streets.

The ***transportation improvement fund****, a special revenue fund, accounts for revenues and expenditures that are legally restricted to expenditures of existing roadway corridor improvements and the related costs of the construction of new roadways.

* These funds have not met the criterion which mandates that they be reported separately as major funds. However, the City has chosen to present these funds as major funds.

Proprietary Funds

All proprietary funds are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The enterprise funds and the business-type activities in the government-wide statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The major proprietary funds of the City include:

NOTES TO FINANCIAL STATEMENTS

The ***water fund*** accounts for the provision of the water treatment and distribution to residential and commercial customers of the City.

The ***sewer fund*** accounts for sanitary sewer services provided to the residential and commercial customers of the City.

The ***sanitation fund**** accounts for trash collection services provided to the residential and some commercial customers of the City.

* This fund has not met the criterion which mandates that it be reported separately as a major fund. However, the City has chosen to present it as a major fund.

In addition, the City reports the following fund types:

Internal service funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The funds account for transactions of the City's internal insurance activities.

Pension trust fund (not included in government-wide statements) is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The fund accounts for the assets of the City's volunteer firefighter pension and trust. The City Council acts as the governing board and the City staff performs all administrative and accounting functions for this fund.

C. DEPOSITS AND INVESTMENTS

Cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less, including amounts on deposit with the Local Government Investment Pool and invested with the Certificate of Deposit Account Registry Service (CDARS) program through Alliance Bank of Arizona.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

D. RESTRICTED ASSETS

Restricted cash and investments reported in the statements are comprised of restricted deposits for development and construction agreements, for outstanding debt amounts and other contractual requirements.

E. RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Net assets/fund balances resulting from advances to other funds are shown as non-spendable or restricted amounts.

All accounts receivable are shown net of allowance for un-collectibles when applicable.

NOTES TO FINANCIAL STATEMENTS

F. INVENTORIES AND PREPAID ITEMS

Inventories consist of expendable supplies held for consumption. For the governmental funds inventories are reported using the purchases method, expenditures are incurred as inventory is purchased and an adjustment is made at year end directly to inventory and fund balance. For the proprietary funds and government wide statements inventories are reported using the consumption method, inventory is recorded when it is purchased and expensed as it is used. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy defines capital assets as assets with an initial individual cost greater than \$10,000 and an estimated useful life of two or more years. Assets contributed (donated) to those funds are recorded at actual costs when available otherwise the estimated fair market value on date of receipt is used.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciated capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

H. COMPENSATED ABSENCES

Vested or accumulated Paid Time Off (PTO) leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated PTO leave that is not expected to be liquidated with expendable available financial resources is reported in the government-wide statements. No expenditure is reported for these amounts in the governmental fund statements. Vested or accumulated PTO leave in proprietary funds and the government-wide statements is recorded as an expense and liability of those funds as the benefits accrue to employees. The internal service funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the governmental activities schedule. For the governmental activities, the General Fund, Highway User Revenue Fund, and certain non-major funds including the Neighborhood Revitalization Fund, SPD Towing Fund, Employee Healthcare Fund and the Risk Management Fund have been used in prior years to liquidate the compensated absences liability.

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTES TO FINANCIAL STATEMENTS

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. FUND BALANCE

The governmental fund financial statements present ending resources as fund balance. Fund balance is categorized to help signify its availability.

Fund balance classifications necessary to meet the City's financial reporting requirements are completed in accordance with applicable statements from the Governmental Accounting Standards Board. The hierarchy from least spendable to most spendable fund balance is; non-spendable, restricted, committed, assigned and unassigned. When funds are available from multiple classifications of fund balance to meet the City's obligations, it is the City's policy to charge the least spendable fund balance available.

Non-spendable and restricted fund balances are determined solely by the nature of the fund balance itself. Committed fund balance represents amounts that have been constrained to a specific use by the formal action of the City's highest level of decision-making authority, the City Council. A majority vote of the City Council is necessary to establish, modify or rescind a fund balance commitment. Amounts that have been constrained by the City's intent to be used for a specific purpose but that are neither restricted nor committed, are reported as assigned fund balance. The City Council has designated the authority to assign amounts to be used for specific purposes to the Chief Financial Officer (CFO). Approval of the CFO is necessary to establish, modify or rescind an assignment of fund balance.

K. MINIMUM FUND BALANCE

The minimum fund balance is not intended to be spent. The purpose of the minimum fund balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances. If the necessity arises to draw down fund balance below the minimum requirements that have been set, a plan to replenish the minimum fund balance will be presented to Council for approval.

The City has formally adopted a minimum fund balance policy for the General Fund and the Highway User Revenue Fund. The minimum fund balance is updated annually by calculating an average of budgeted personnel, supplies and services expenditures over a two month period. There is no affect on the presentation of fund balance on the face of the financial statements.

The City is not currently in compliance with its minimum fund balance policy. The City's minimum fund balance for the current year was set at \$13.4 million. At the end of the year the City had \$4.8 million available to meet the policy requirement. It is the City's intention to be in compliance with their minimum fund balance policy by the end of fiscal year 2014. The City plans on achieving this goal through a combination of a cost reduction strategy and projected increases in revenues due to an improving economy.

L. NET ASSETS

The government-wide and proprietary fund financial statements present ending resources as net assets. Net assets are categorized to help signify their availability.

Invested in capital assets, net of related debt includes all capital assets of the City both depreciable and non-depreciable net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction or improvement of these assets. Net assets in this category represent infrastructure of the City and are not available to meet the City's needs.

NOTES TO FINANCIAL STATEMENTS

Restricted net assets consists of amounts that have external restrictions imposed upon them by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net assets in this category represent amounts that are not available to meet the City's needs as they have been promised for other purposes.

Unrestricted net assets represent amounts that have not been restricted for any project or other purpose. These amounts are available to meet any needs of the City. While unrestricted net assets are technically available to be spent by the City it is important to remember that the City has established financial policies that would prevent this. There are certain self-imposed criteria, such as maintaining a minimum operating fund balance that would further reduce the amount the City is willing to spend.

M. MINIMUM NET ASSETS

Minimum net assets are not intended to be spent. The purpose of the minimum net asset balance is to ensure the City has adequate resources to meet its operational needs in the event of unusual and unforeseen circumstances.

Within the Sanitation, Sewer and Water Funds, net assets are to be maintained at an amount equal to the average budgeted personnel, supplies and services expenses over a two month period.

The Risk Management Fund will maintain net assets at an amount that, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be approved by the City Council.

The Employee Healthcare Fund will maintain net assets at a level which, together with purchased insurance policies, will adequately indemnify the City. An actuarial evaluation will be performed annually to recommend appropriate funding levels, which will be reviewed by the Loss Trust Fund Board and approved by the City Council.

The City is in compliance with its established minimum net assets policy.

N. PROPERTY TAX

A primary tax levy is limited to an increase of two percent over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year (Section 42-301, Arizona Revised Statutes). The two percent increase is based on the City's "maximum allowable levy" for the prior year.

Property taxes are recognized as revenues in the year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the year-end for which they are levied, are reported as deferred revenues.

The County levies real property taxes on or before the third Monday in August, that become due and payable in two equal installments. The first installment is due on the first day of October, and becomes delinquent after the first business day in November. The second installment is due on the first day of March of the next year, and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and becomes delinquent 30 days thereafter.

O. GRANT REVENUES

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

NOTES TO FINANCIAL STATEMENTS

P. INTERFUND TRANSACTIONS

Interfund services provided or used are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.

Q. ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditure appropriations are adopted at the fund level with the exception of the General Fund which has been set at the department level. There were no instances in the current year where actual expenditures exceeded the appropriated amount.

NOTE 3 – CASH AND INVESTMENTS

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits was \$23,399,339 and the bank balance was \$24,018,833. At year end, \$402,815 of the City's deposits was covered by federal depository insurance. The remaining bank balance not covered by federal depository insurance of \$23,616,018 was fully collateralized. The collateral is held in the pledging banks trust department in the name of the pledging bank.

A reconciliation of the bank balance to the City's deposit balance as of June 30, 2012 follows:

Total per bank balance	\$ 24,018,833
<i>Reconciling items:</i>	
Outstanding checks	(1,338,088)
Deposits in transit	584,611
Transfers	125,833
Cash on hand	8,150
	<u>23,399,339</u>
Less:	
Fiduciary fund	(43,215)
Total City deposits	<u>\$ 23,356,124</u>

NOTES TO FINANCIAL STATEMENTS

The City's investments consisted of the following as of June 30, 2012:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 year	1-2 years	2-3 years	3+ years
U.S. Government Securities	\$ 25,967,263	\$ -	\$ 14,203,754	\$ 9,335,650	\$ 2,427,859
Government Sponsored Entity Debt	38,190,600	-	20,492,205	16,818,916	879,479
Money Market Mutual Funds	12,476,986	12,476,986	-	-	-
Local Government Investment Pool	26,937	26,937	-	-	-
Cash on deposit with the County Attorney	661,955	661,955	-	-	-
	<u>\$ 77,323,741</u>	<u>\$ 13,165,878</u>	<u>\$ 34,695,959</u>	<u>\$ 26,154,566</u>	<u>\$ 3,307,338</u>

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

Total cash and investments for the City as of June 30, 2012, are as follows:

City's deposits	\$ 23,399,339
City's investments	77,323,741
Total	<u>\$ 100,723,080</u>

Interest Rate Risk. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investments in securities included \$38,190,600 of government sponsored entity debt. At June 30, 2012, these investments were rated by Standard and Poor's as follows: \$37,311,121 at AA+; \$879,479 at AA.

Credit Risk. Aside from State laws, the City's formal investment policy does not further limit its investment choices.

Custodial Credit Risk – Investments. All of the City's security investments are held in the City's name. The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS

Cash Reconciliation to Financial Statements

The following reconciliations are provided to reconcile cash to the government wide and fund financial statements.

<u>Government-wide Financial Statements</u>	
Total cash and investments	\$ 76,349,470
Total restricted cash and investments	24,330,395
Subtotal	<u>\$ 100,679,865</u>
Government-wide total cash and investments	\$ 100,679,865
plus: Fiduciary Fund cash and cash equivalents	43,215
Total	<u><u>\$ 100,723,080</u></u>
<u>Fund Financial Statements</u>	
<i>Governmental Funds</i>	
Cash and investments	\$ 39,193,783
Restricted cash and investments	8,570,199
	<u>47,763,982</u>
<i>Enterprise Funds</i>	
Cash and investments	32,382,754
Restricted cash and investments	15,760,196
	<u>48,142,950</u>
<i>Internal Service Fund</i>	
Cash and investments	<u>4,772,933</u>
<i>Fiduciary Fund</i>	
Cash and investments	<u>43,215</u>
Total	<u><u>\$ 100,723,080</u></u>

NOTE 4 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Amounts due from other governments, as reported in the Statement of Net Assets include \$1,561,473 in state shared sales tax, \$320,140 in auto lieu tax and \$1,052,003 in highway user tax.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred revenue reported in the governmental funds for the year ended June 30, 2012 is as follows:

CAFR Fund Name	Deferred Revenues	
	Unearned	Unavailable
General Fund	\$ -	\$ 1,667,907
Highway User Revenue Fund	2,000	-
Transportation Improvement Fund	380,000	-
Nonmajor Governmental Funds	745,189	28,888
	<u>\$ 1,127,189</u>	<u>\$ 1,696,795</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land and land improvements	\$ 32,927,611	\$ 619,660	\$ -	\$ 33,547,271
Parks	10,256,905	-	-	10,256,905
Construction in process	5,830,628	2,243,547	(3,268,215)	4,805,960
Total not being depreciated	49,015,144	2,863,207	(3,268,215)	48,610,136
Other capital assets:				
Buildings and improvements	191,135,217	99,199	-	191,234,416
Improvements other than buildings	17,423,441	12,552	-	17,435,993
Equipment and vehicles	39,119,948	2,491,315	(800,194)	40,811,069
Infrastructure	346,803,420	32,274,778	-	379,078,198
Total other capital assets	594,482,026	34,877,844	(800,194)	628,559,676
Total assets before depreciation	643,497,170	37,741,051	(4,068,409)	677,169,812
Accumulated depreciation:				
Building and improvements	(31,327,692)	(6,280,807)	-	(37,608,499)
Improvements other than buildings	(2,790,580)	(646,428)	-	(3,437,008)
Equipment and vehicles	(22,890,060)	(3,850,409)	688,847	(26,051,622)
Infrastructure	(121,361,182)	(13,879,777)	-	(135,240,959)
Total accumulated depreciation	(178,369,514)	(24,657,421)	688,847	(202,338,088)
Net Capital Assets - Governmental Activities	\$ 465,127,656	\$ 13,083,630	\$ (3,379,562)	\$ 474,831,724

Depreciation was charged by function as follows:

General government	\$ 3,646,504
Public safety	3,196,381
Public works and streets, includes depreciation for infrastructure	15,097,654
Culture and recreation	2,716,882
Total governmental activities depreciation expense	\$ 24,657,421

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	\$ 4,875,451	\$ 9,160	\$ -	\$ 4,884,611
Water Rights	4,947,390	1,364,696	-	6,312,086
Construction in progress	192,882	3,509,662	(123,308)	3,579,236
Total not being depreciated	10,015,723	4,883,518	(123,308)	14,775,933
Other capital assets:				
Buildings and system	344,205,405	10,989,609	-	355,195,014
Vehicles and equipment	8,135,695	1,420,624	-	9,556,319
Total other capital assets	352,341,100	12,410,233	-	364,751,333
Total assets before depreciation	362,356,823	17,293,751	(123,308)	379,527,266
Accumulated depreciation:				
Buildings and system	(40,573,506)	(9,215,337)	-	(49,788,843)
Vehicles and equipment	(3,920,637)	(934,858)	-	(4,855,495)
Total accumulated depreciation	(44,494,143)	(10,150,195)	-	(54,644,338)
Net capital assets - business activities	\$ 317,862,680	\$ 7,143,556	\$ (123,308)	\$ 324,882,928
Depreciation was charged by function as follows:				
Water			\$ 2,695,488	
Sewer			6,969,284	
Sanitation			485,423	
Total business-type activities depreciation expense			\$ 10,150,195	

During the current fiscal year, the Sewer Fund capitalized net interest costs of \$60,391. Total interest expense in the Sewer Fund before capitalization was \$2,881,747.

NOTE 6 - DEVELOPER AGREEMENTS

The City of Surprise has entered into agreements with developers for infrastructure related to commercial and residential development. The developers construct the infrastructure and convey the assets to the City. Based on the terms of the agreements, over a designated period of time, the City pays the developers for the infrastructure with collections of impact fees and other specified revenues, up to the maximum amount per agreement. Commitments to reimburse developers under these agreements are not currently recognized until the requirements of the agreements are met. If the term of the agreement expires before the maximum amount has been repaid, the City has no further obligation to continue making payments under the agreement.

Development agreements related to water system infrastructure will be reimbursed using water system impact fees and water resource impact fees. Total water system infrastructure value conveyed is \$32,746,100. Depending on the terms of the specific agreement, this value is eligible for reimbursement between the next three to twenty one years. Once the agreement expires, water system and water resource impact fees are no longer eligible for developer reimbursement. As of June 30, 2012, the City has reimbursed \$13,053,401, leaving a potential remaining balance of \$19,692,699.

NOTES TO FINANCIAL STATEMENTS

Development agreements related to wastewater system infrastructure will be reimbursed using specified sales tax revenues. Total wastewater system infrastructure value conveyed is \$10,072,956. Depending on the terms of the specific agreement, this value is eligible for reimbursement over the next thirty eight years. Once the agreement expires, the remaining unpaid balance of these infrastructure costs is no longer subject to repayment. As of June 30, 2012, the amount the City has reimbursed is \$43,346, leaving a potential remaining balance of \$10,029,610.

Development agreements related to public safety-fire services will be reimbursed using fire impact fees. Total fire services infrastructure value conveyed is \$226,663. This value is eligible for reimbursement for the next five years. Once the agreement expires, fire impact fees are no longer eligible for developer reimbursement. As of June 30, 2012, the City has reimbursed \$98,512, leaving a potential remaining balance of \$128,151.

Development agreements related to transportation will be reimbursed using a portion of sales tax collections. Total infrastructure value conveyed is \$47,730,705. Depending on the terms of the specific agreement, this value is eligible for reimbursement over the next thirty eight years. Once the agreements expire, no further developer reimbursement of the unpaid balance is required. As of June 30, 2012, the City has reimbursed \$379,599 to developers, leaving a potential remaining balance of \$47,351,106.

In addition, the City has entered into a number of developer agreements for infrastructure that has not yet been conveyed to the City. The total cost to be incurred under these agreements is currently undeterminable.

NOTE 7 – CONSTRUCTION COMMITMENTS

City of Surprise has active construction projects as of June 30, 2012. At year end, the City commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Spa 1 Recharge Wells @ South Plant	\$ 2,920,617	\$ 551,293
Water Site And Security Improvements	126,390	331,698
Sewer Site And Security Improvements	126,390	331,698
Disinfection Byproduct Reduction	54,374	96,731
Traffic Signal Master Computer - Kimley Horn	470,750	24,250
Dove Valley Pkwy 163Rd-179Th	142,043	7,158
Paving Settlement West Of 219Th Avenue	261,331	4,134
Bell Rd Sidewalks E Of Grand	170,832	3,851
Total	<u>\$ 4,272,727</u>	<u>\$ 1,350,813</u>

The SPA 1 Recharge Wells at South Plant and the Disinfection Byproduct Reduction are financed by the Sewer Fund. The Site and Security Improvements are financed by the Water and Sewer Funds. The Traffic Signal Master Computer is financed by the Public Works Expansion Development Fee Fund. The Dove Valley Parkway 163rd-179th, Paving Settlement West of 219th Ave, and Bell Rd Sidewalks East of Grand are financed by the General Capital Projects Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT & OTHER PAYABLES

MUNICIPAL PROPERTY CORPORATION BONDS

The City of Surprise Municipal Property Corporation (MPC) issued special limited obligations for the construction of major capital facilities. The Excise Tax Revenue Refunding Bonds, Series 2003 are secured by a pledge of the City's excise tax collections. The issuance statement requires excise tax revenues to be maintained at 2.5 times the debt service requirement payable. The coverage ratio at June 30, 2012 (revenues to debt service payable) is 14.3. Principal and interest payable next year and total excise tax revenues collected for the current year were \$4,816,078 and \$68,800,000, respectively.

The Wastewater Development Impact Fee and Utility Revenue Bonds, Series 2007 are secured by a pledge of the City's wastewater development impact fee collections as well as a subordinate pledge of wastewater utility revenue collections. The wastewater development impact fees and utility revenue collections are recorded in the Sewer Fund. Required reserves per the bond statements for the MPC issuances have been met by the City. Principal and interest payable next year and system net revenues for the current year were \$2,397,688 and \$9,576,420, respectively. Of the total net revenues, \$2,038,187 are impact fee revenues that have been specifically designated for debt service payments per the bond issuance statement. The remaining \$7,538,233 represents net revenues from wastewater operations during the year and is available to meet debt service payment obligations.

The City is currently in non-compliance with the continuing disclosure requirements for the MPC bond issuances. Upon issuance of this CAFR, the City will again be in compliance with the disclosure requirements.

COMMUNITY FACILITIES DISTRICT BONDS

Community Facilities District (CFD) Bonds are special purpose government entities which the City Council may create under Arizona law to (among other things) acquire and improve public infrastructure.

WATER INFRASTRUCTURE AND FINANCE AUTHORITY NOTE

The Water Infrastructure and Finance Authority (WIFA) Note was issued for the acquisition and construction of water system improvements. Debt service payments for the WIFA Note started in fiscal year 2011, and the Loan was fully repaid during fiscal year 2012.

NOTES TO FINANCIAL STATEMENTS

Long-term debt as of June 30, 2012 is comprised of the following:

Classified in Governmental Activities on the Government-wide Financial Statements:

	Long-Term Debt Outstanding
Municipal Property Corporation Bonds	
2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 69.75 percentage of this issue pertains to governmental activities.	<u>\$ 22,229,325</u>
Total MPC Bonds Outstanding	<u>22,229,325</u>
Community Facilities Districts General Obligation Bonds	
2006 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$30,000 to \$95,000 beginning July 15, 2007 through July 15, 2031; interest at 4.85 percent to 5.30 percent. Original issue amount \$1,365,000.	1,165,000
2007 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$80,000 to \$375,000 beginning July 15, 2008 through July 15, 2032; interest at 4.35 percent to 6.10 percent. Original issue amount \$3,950,000.	3,465,000
2008 Marley Park Community Facilities District General Obligation bonds due in annual installments of \$60,000 to \$630,000 beginning July 15, 2009 through July 15, 2033; interest at 3.80 percent to 7.00 percent. Original issue amount \$3,395,000.	<u>3,115,000</u>
Total Community Facilities Districts General Obligation Bonds Outstanding	<u>7,745,000</u>
Total Long-Term Debt Payable Recorded in Governmental Activities	<u><u>\$ 29,974,325</u></u>

NOTES TO FINANCIAL STATEMENTS

Classified in Business-type Activities on the Government-wide Financial Statements:

	Long-Term Debt Outstanding
Municipal Property Corporation Bonds	
2003, Municipal Property Corporation Excise Tax Revenue Refunding Bonds (issued December 1, 2003) due in annual installments of \$155,000 to \$4,640,000 through July 1, 2020; interest at 2 percent to 5 percent. Original issue amount \$42,860,000. A 30.25 percentage of this issue pertains to business-type activities.	\$ 9,640,675
2007, Municipal Property Corporation Wastewater Development Impact Fee and Subordinate Lien Wastewater Utility Revenue Bonds (issued May 1, 2007) due in installments of \$4,675,000 to \$25,000,000 through April 1, 2032; interest at 4.25 percent to 4.90 percent. Original issue amount \$50,675,000.	<u>50,675,000</u>
Total MPC Bonds Outstanding	<u>60,315,675</u>
Total Bonds Payable Recorded in Business-type Activities	<u>60,315,675</u>
Total Long-Term Bonds Payable	<u><u>\$ 90,290,000</u></u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liabilities for the year ended June 30, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$29,894,850 (\$42,860,000 issued)	\$ 24,489,225	\$ -	\$ (2,259,900)	\$ 22,229,325	\$ 2,333,138
	<u>24,489,225</u>	<u>-</u>	<u>(2,259,900)</u>	<u>22,229,325</u>	<u>2,333,138</u>
Deferred amounts					
For issuance premium 2003	868,569	-	(91,427)	777,142	-
On refunding 2003	<u>(1,067,992)</u>	<u>-</u>	<u>112,422</u>	<u>(955,570)</u>	<u>-</u>
	<u>(199,423)</u>	<u>-</u>	<u>20,995</u>	<u>(178,428)</u>	<u>-</u>
Community Facilities Districts					
Series 2006 Bonds, \$1,365,000 issued	1,200,000	-	(35,000)	1,165,000	35,000
Series 2007 Bonds, \$3,950,000 issued	3,555,000	-	(90,000)	3,465,000	100,000
Series 2008 Bonds, \$3,395,000 issued	3,180,000	-	(65,000)	3,115,000	65,000
	<u>7,935,000</u>	<u>-</u>	<u>(190,000)</u>	<u>7,745,000</u>	<u>200,000</u>
Total governmental obligation bonds	<u>32,224,802</u>	<u>-</u>	<u>(2,428,905)</u>	<u>29,795,897</u>	<u>2,533,138</u>
Compensated absences	<u>4,178,659</u>	<u>4,319,623</u>	<u>(3,628,041)</u>	<u>4,870,241</u>	<u>2,142,906</u>
Contracts and developer payable	<u>1,193,432</u>	<u>1,886,402</u>	<u>(225,471)</u>	<u>2,854,363</u>	<u>1,970,623</u>
Total governmental activities debt	<u>\$ 37,596,893</u>	<u>\$ 6,206,025</u>	<u>\$ (6,282,417)</u>	<u>\$ 37,520,501</u>	<u>\$ 6,646,667</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General municipal property corporation fund obligation					
Series 2003 Bonds, \$12,965,150 (\$42,860,000 issued)	\$ 10,620,775	\$ -	\$ (980,100)	\$ 9,640,675	\$ 1,011,864
Series 2007 Bonds, \$50,675,000 issued	50,675,000	-	-	50,675,000	-
	<u>61,295,775</u>	<u>-</u>	<u>(980,100)</u>	<u>60,315,675</u>	<u>1,011,864</u>
Deferred amounts					
For issuance premium 2003	376,691	-	(39,652)	337,039	-
On refunding 2003	<u>(463,180)</u>	<u>-</u>	<u>48,756</u>	<u>(414,424)</u>	<u>-</u>
	<u>(86,489)</u>	<u>-</u>	<u>9,104</u>	<u>(77,385)</u>	<u>-</u>
Total governmental obligation bonds	<u>61,209,286</u>	<u>-</u>	<u>(970,996)</u>	<u>60,238,290</u>	<u>1,011,864</u>
Notes payable					
2.00% Loan-Water Infrastructure and Finance Authority, \$1,500,000 issued	1,324,760	-	(1,324,760)	-	-
Compensated absences	<u>572,348</u>	<u>657,225</u>	<u>(560,751)</u>	<u>668,822</u>	<u>294,282</u>
Contracts and developer payable	<u>494,147</u>	<u>484,218</u>	<u>(152,988)</u>	<u>825,377</u>	<u>583,394</u>
Total business-type activities debt	<u>\$ 63,600,541</u>	<u>\$ 1,141,443</u>	<u>\$ (3,009,495)</u>	<u>\$ 61,732,489</u>	<u>\$ 1,889,540</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of debt service requirements for the year ended June 30, 2012. Deferred issuance costs and deferred amounts are not included:

Year Ended June 30	Governmental Activities							
	2000 - 2003 MPC		Marley Park CFD 2006		Marley Park CFD 2007		Marley Park CFD 2008	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,333,138	\$ 1,026,076	\$ 35,000	\$ 60,516	\$ 100,000	\$ 205,236	\$ 65,000	\$ 208,744
2014	2,451,713	909,419	40,000	58,818	100,000	200,236	70,000	205,496
2015	2,566,800	786,833	40,000	56,878	105,000	195,136	75,000	201,856
2016	2,702,813	658,493	45,000	54,938	110,000	189,675	75,000	197,804
2017	2,842,313	523,352	45,000	52,756	115,000	183,844	85,000	193,604
2018-2022	9,332,548	776,563	270,000	225,298	685,000	811,074	490,000	885,598
2023-2027	-	-	340,000	148,264	920,000	578,276	680,000	699,753
2028-2032	-	-	350,000	47,702	1,330,000	264,130	945,000	427,700
2033-2034	-	-	-	-	-	-	630,000	44,100
Total	\$ 22,229,325	\$ 4,680,736	\$ 1,165,000	\$ 705,170	\$ 3,465,000	\$ 2,627,607	\$ 3,115,000	\$ 3,064,655
							\$ 29,974,325	\$ 11,078,168
Year Ended June 30	Business-Type Activities				Total			
	2000 - 2003 MPC		2007 MPC		Principal		Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,011,864	\$ 445,000	\$ -	\$ 2,397,688	\$ 1,011,864	\$ 2,842,688		
2014	1,063,288	394,407	4,675,000	2,397,688	5,738,288	2,792,095		
2015	1,113,200	341,243	-	2,199,000	1,113,200	2,540,243		
2016	1,172,188	285,583	-	2,199,000	1,172,188	2,484,583		
2017	1,232,688	226,974	6,500,000	2,199,000	7,732,688	2,425,974		
2018-2022	4,047,447	336,789	14,500,000	9,532,500	18,547,447	9,869,289		
2023-2027	-	-	-	6,125,000	-	6,125,000		
2028-2032	-	-	25,000,000	6,125,000	25,000,000	6,125,000		
Total	\$ 9,640,675	\$ 2,029,996	\$ 50,675,000	\$ 33,174,876	\$ 60,315,675	\$ 35,204,872		

NOTES TO FINANCIAL STATEMENTS

Contracts Payable

General Government Activities

A balance of \$2,854,363 is owed based on improvements made by developers per development agreements for various infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Business Type Activities

A balance of \$825,377 is owed based on improvements made by developers per development agreements for various equipment and infrastructure items the City will own and amounts owed to contractors for the retainage of on-going projects.

Legal Debt Limit

The Arizona Constitution provides that the general obligation bonded indebtedness for a city may not exceed twenty percent of the net secondary assessed valuation of the taxable property of the city for projects for purposes of water, wastewater, artificial light, open space preserves, parks and recreational facilities, public safety, law enforcement, fire and emergency services facilities, streets, and transportation facilities. Outstanding general obligation bonded indebtedness for all other purposes may not exceed six percent of the City's net secondary assessed valuation. The following summarizes the City of Surprise, Arizona's legal general obligation bonded debt borrowing capacity at June 30, 2012:

General Obligation Bonds Subject to 20% Limitation		General Obligation Bonds Subject to 6% Limitation	
20% Constitutional Limit	\$ 187,346,001	6% Constitutional Limit	\$ 56,203,800
Less General Obligation 20% Bonds Outstanding	<u>-</u>	Less General Obligation 6% Bonds Outstanding	<u>-</u>
Available 20% Limitation Borrowing Capacity	<u>\$ 187,346,001</u>	Available 6% Limitation Borrowing Capacity	<u>\$ 56,203,800</u>

OPERATING LEASES

The City leases copiers, trash compactors, and land under certain cancelable and non-cancelable operating leases expiring at various dates. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Assets. Lease expense for the fiscal year ended June 30, 2012 was \$122,086.

The following is a schedule of the future minimum lease payments on the non-cancelable operating leases:

Year Ending June 30:	
2013	\$ 31,919
2014	14,172
2015	<u>536</u>
Total minimum payments required	<u>\$ 46,627</u>

NOTES TO FINANCIAL STATEMENTS

Operating Lease Revenue

The City leases various City-owned properties and buildings under cancelable long-term lease agreements. The carrying value of leased assets is \$4,806,754 (cost of \$7,070,069 less accumulated depreciation of \$2,263,315). The lease properties and building are included as capital assets in the government-wide financial statements. Operating lease revenues for fiscal year 2012 were \$438,502.

NOTE 9 - RETIREMENT PLANS

Plan Descriptions – The City contributes to the three plans described below. In addition, the City maintains a Volunteer Firefighters' Pension and Relief Fund described later. The City no longer makes contributions to the Volunteer Firefighters' Pension and Relief Fund.

Benefits for the plans described below are established by state statute and generally provide retirement, death, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

3300 North Central Avenue
P.O. Box 33910
Phoenix, Arizona 85067-3910
(602) 240-2200 or (800) 621-3778

PSPRS and EORP

3010 East Camelback Road, Suite 200
Phoenix, Arizona 85016-4416
(602) 255-5575

NOTES TO FINANCIAL STATEMENTS

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the ASRS, PSPRS, and EORP.

Cost-sharing plans – For the year ended June 30, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,			
2012	\$ 2,604,181	\$ 166,224	\$ 63,324
2011	2,477,910	162,260	68,754
2010	2,487,834	196,879	119,321

Agent plans – For the year ended June 30, 2012, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 12.12 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.85 percent of covered payroll. Active PSPRS fire members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 12.00 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.63 percent of covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll; and the City was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 17.73 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.56 percent of covered payroll.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2012 were established by the June 30, 2010 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the City and plans’ members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2012 contribution requirements, are as follows:

NOTES TO FINANCIAL STATEMENTS

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 24 years for EORP
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00% for PSPRS; 4.75% for EORP
includes inflation at	5.00% for PSPRS; 4.50% for EORP

Annual Pension/OPEB Cost – The City’s pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows:

	PSPRS – Police		PSPRS – Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/ OPEB cost	\$1,168,426	\$ 87,582	\$ 904,731	\$ 58,062	\$ 42,437	\$ 9,457
Contributions made	1,168,426	87,582	904,731	58,062	42,437	9,457

NOTES TO FINANCIAL STATEMENTS

Trend Information – Annual pension and OPEB cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended 30-Jun	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS – Police				
Pension	2012	\$1,168,426	100%	-0-
Health Insurance	2012	87,582	100%	-0-
Pension	2011	1,179,782	100%	-0-
Health Insurance	2011	79,114	100%	-0-
Pension	2010	1,013,694	100%	-0-
Health Insurance	2010	76,967	100%	-0-
PSPRS – Fire				
Pension	2012	904,731	100%	-0-
Health Insurance	2012	58,062	100%	-0-
Pension	2011	949,349	100%	-0-
Health Insurance	2011	51,976	100%	-0-
Pension	2010	818,267	100%	-0-
Health Insurance	2010	24,956	100%	-0-
EORP				
Pension	2012	42,437	100%	-0-
Health Insurance	2012	9,457	100%	-0-
Pension	2011	36,311	100%	-0-
Health Insurance	2011	9,181	100%	-0-
Pension	2010	35,419	100%	-0-
Health Insurance	2010	5,416	100%	-0-

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the City, as a participating government, is not available.

	PSPRS – Police		PSPRS – Fire	
	Pension	Insurance	Pension	Insurance
Actuarial accrued liability (a)	\$ 26,877,187	\$ 742,582	\$ 25,038,925	\$ 605,606
Actuarial value of assets (b)	21,724,184	-0-	21,783,832	-0-
Unfunded actuarial accrued	5,153,003	742,582	3,255,093	605,606
Funded ratio (b) / (a)	80.83%	0.00%	87.00%	0.00%
Covered payroll (c)	8,147,849	8,147,849	8,487,018	8,487,018
Unfunded actuarial accrued	63.24%	9.11%	38.35%	7.14%

NOTES TO FINANCIAL STATEMENTS

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess for PSPRS; 24 years for EORP
Asset valuation method	smoothed market value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00% for PSPRS; 4.75% for EORP
includes inflation at	5.00% for PSPRS; 4.5% for EORP

Volunteer Firefighters’ Pension and Relief Fund

Plan Description

The Volunteer Firefighters’ Pension and Relief Fund is a discretionary defined benefit plan directly administered by the City. The fund was established to provide pension benefits for its qualified volunteer firefighters. The fund is authorized by Title 9, Chapter VIII, Article 3 of the Arizona Revised Statutes, and is administered by the Board of Trustees. No actuarial valuation of the fund’s position has been made, and no separate report is prepared. Assets of the fund are invested in the State Local Government Investment Pool. As there have been no eligible participants since 1998, there are no remaining beneficiaries of the fund or encumbrances against it, the City is using the remaining cash to help fund the alternate fire pension and benefit program.

Pension Benefits

Volunteer firefighters having served twenty-five years or more, or having reached sixty years of age and served twenty years or more, shall be paid a monthly pension not to exceed \$150 per month as determined by the Board of Trustees. Such pension, if paid, may be increased, decreased, or discontinued at the discretion of the Board of Trustees. If the fund resources are insufficient to pay fully the pensions authorized, the fund shall be prorated among those entitled thereto. The Board of Trustees may grant temporary relief and assistance from the fund to any qualified participant, or beneficiaries of such participant.

Deferred Compensation Plans

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or an unforeseeable emergency.

The City also offers a Post-Employment Health Plan (PEHP). The PEHP is a defined contribution plan designed to allow the City and employees to set aside money during the course of employment with the City, for the payment of qualified medical expenses incurred post employment. The Post-Employment Health Plan consists of two sub-accounts that can accept contributions. One account accepts fixed contributions, which has been suspended, and the other accepts earned and unused personal time off (vacation and sick leave). After voluntary termination of employment with the City, employees are provided with the option to be paid for all, or a portion of, earned and unused personal time off, or move earned and unused personal time off into their PEHP account.

NOTES TO FINANCIAL STATEMENTS

The City's fiduciary responsibility for both plans is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 plan and post-employment health plan assets be held in trust for employees; therefore, employee assets held in Section 457 plan and post-employment plan assets are held in trust for employees. Employee assets held in Section 457 plans and post-employment health plans are not the property of the City and are not subject to claims of the City's general creditors. Therefore, the Deferred Compensation Agency Funds are not included in the City's Financial Statements.

NOTE 10 - RISK MANAGEMENT

Risk Management Fund

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Thus, the City participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program including property, general liability, public officials' liability, automobile liability and physical damage, bonds and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

The limit for basic coverage is \$2 million per occurrence and \$13 million under an umbrella policy for a total of \$15 million on a claim made basis. The AMRRP is structured such that member premiums are based on actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligation. The Pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. The City can be assessed up to the amount of the current year's contribution. The City's obligation is to file claims timely. The AMRRP is responsible for investigating claims, settling claims and billing the City for any deductible portion. The City's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the City's financial position.

Employee Healthcare Fund

The City has established the Employee Healthcare Fund to account for the costs of claims incurred by the City through a self-insurance program. The City is self-insured for individual health claims up to \$100,000. Commercial stop loss insurance is in place for claims in excess of the individual limit as well as aggregate insurance for claims in excess of 110% of the City's total actuarially projected claims.

The claims liability includes an estimated amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors. Claims that have been incurred but not reported make up \$462,000 of the total claims payable reported. The remaining \$950,789 is made up of outstanding claims at year end. The City's loss has not exceeded its coverage over the last year.

As of June 30, 2012, unpaid claims were as follows:

	Employee Healthcare Fund	
	2011	2012
Beginning unpaid claims	\$ -	\$ 1,139,588
Claims incurred and changes in estimates	8,659,137	6,947,589
Payments made	(7,519,549)	(6,674,388)
Other	-	-
Ending unpaid claims	<u>\$ 1,139,588</u>	<u>\$ 1,412,789</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - CONTINGENT LIABILITIES

The City was not involved in any pending or threatened litigation that could materially affect the City's financial position and results of operations at June 30, 2012.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 12 - INTERFUND BORROWING AND TRANSFERS

As of June 30, 2012, interfund balances were as follows:

Due to/from other funds:

Due from	Due to General Fund
Highway User Revenue Fund	\$ 184,676
Non-Major Governmental Funds	58,923
Total	<u>\$ 243,599</u>

At year end, several funds had negative cash balances in the pooled cash account. Short-term negative cash balances were eliminated by interfund borrowing with other funds and are expected to be paid within one year.

Advances to/from other funds:

Advances to	Advances from		
	General Capital Projects Fund	Sewer Fund	Total
General Fund	\$ 3,435,648	\$ -	\$ 3,435,648
General Government Development Fee Fund	36,019,204	7,689,263	43,708,467
Fire Development Fee Fund	-	6,701,559	6,701,559
Total	<u>\$ 39,454,852</u>	<u>\$ 14,390,822</u>	<u>\$ 53,845,674</u>

As of June 30, 2012, the City had several long-term loans outstanding. The General Fund loans occurred due to a shortage of cash from the correction of errors. The loan will be paid with future revenues received by the General Fund. The remaining loans relate to expenditures for projects to be funded by impact fees. These loans will be repaid as impact fees are collected in future years.

Interfund transfers:

Transfers out	General Fund	Transfers in		
		General Capital Projects Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 1,685,089	\$ 1,566,417	\$ 3,251,506
General Government Development Fee Fund	-	-	667,359	667,359
Fire Development Fee Fund	-	-	121,602	121,602
Non-Major Governmental Funds	-	-	1,041,332	1,041,332
Water Fund	339,302	-	-	339,302
Sewer Fund	597,879	-	-	597,879
Sanitation Fund	30,967	-	-	30,967
Total	<u>\$ 968,148</u>	<u>\$ 1,685,089</u>	<u>\$ 3,396,710</u>	<u>\$ 6,049,947</u>

Transfers between funds were used to (1) record payments in lieu of franchise fees, payments in lieu of property taxes and license fees from the enterprise funds to the General Fund, (2) establish non-major governmental funds, (3) move amounts for debt service payments and (4) move construction sales taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – FUND BALANCE CLASSIFICATION

Fund balance classifications:

	General Fund	General Capital Projects Fund	General Government Development Fee Fund	Fire Development Fee Fund	Highway User Revenue Fund	Transportation Improvement Fund	Non-Major Governmental Funds	Total
Fund balances								
Nonspendable:								
Prepaids	\$ 313,589	\$ -	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ 313,989
Inventory	323,924	-	-	-	106,444	-	-	430,368
Total Nonspendable	637,513	-	-	-	106,844	-	-	744,357
Restricted:								
Public works	-	-	-	-	-	-	9,459,852	9,459,852
Parks and recreation	-	-	-	-	-	-	4,543,489	4,543,489
Library	-	-	-	-	-	-	4,382,138	4,382,138
Debt service	-	-	-	-	-	-	3,563,111	3,563,111
Transportation	-	-	-	-	117,164	-	2,117,047	2,234,211
Police	-	-	-	-	-	-	2,196,285	2,196,285
Court	-	-	-	-	-	-	481,787	481,787
Contractual obligations	79,170	-	-	-	-	-	-	79,170
Fire	-	-	-	68,685	-	-	-	68,685
Other	-	-	-	-	-	-	3,021	3,021
Total Restricted	79,170	-	-	68,685	117,164	-	26,746,730	27,011,749
Committed:								
Vehicle replacement	-	5,830,989	-	-	-	-	-	5,830,989
Transportation	-	-	-	-	-	1,760,929	-	1,760,929
Tourism	-	-	-	-	-	-	324,039	324,039
Total Committed	-	5,830,989	-	-	-	1,760,929	324,039	7,915,957
Assigned:								
Parks and recreation	317,343	-	-	-	-	-	9,460	326,803
Transportation	-	-	-	-	261,285	772,949	-	1,034,234
Police	-	-	-	-	-	-	4,434	4,434
Tourism	-	-	-	-	-	-	2,505	2,505
Construction projects	-	41,392,562	-	-	-	-	-	41,392,562
Court	-	-	-	-	-	-	10,903	10,903
Other	-	-	-	-	-	-	6,274	6,274
Total Assigned	317,343	41,392,562	-	-	261,285	772,949	33,576	42,777,715
Unassigned:								
Unassigned or negative fund balance	4,459,773	-	(43,703,025)	(6,706,235)	-	-	-	(45,949,487)
Total	\$ 5,493,799	\$ 47,223,551	\$ (43,703,025)	\$ (6,637,550)	\$ 485,293	\$ 2,533,878	\$ 27,104,345	\$ 32,500,291

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – DEFICIT FUND BALANCES

As of June 30, 2012, the following individual major governmental funds reported deficits in fund balances:

	Deficit
Major Funds:	
General Government Development Fee Fund	\$ 43,703,025
Fire Development Fee Fund	6,637,550

Deficits arose due to project expenses incurred in current and prior years exceeding impact fee revenues collected. The deficit fund balances are expected to be funded with future development impact fees received.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

On July 1, 2011 fund balance/net assets for the General Government Development Fee Fund, Fire Development Fee Fund, Nonmajor Governmental Funds, Water Fund and Sewer Fund do not agree to the prior year financial statements due to the correction of errors. In addition, the July 1, 2011 net assets for the governmental activities and business-type activities on the Statement of Activities do not agree to the prior year financial statements due to the correction of errors.

The corrections to the governmental funds and the governmental activities are as follows:

		Governmental Funds		
	Governmental Activities	General Government Development Fee Fund	Fire Development Fee Fund	Nonmajor Governmental Funds
Net assets/fund balance, June 30, 2011, as previously reported	\$ 454,198,975	\$ (43,708,467)	\$ (7,073,583)	\$ 26,906,910
Corrections of errors:				
Capital assets not recorded correctly (A)	5,048,179	-	-	-
Development fees not recorded correctly (B)	(68,907)	(1,258)	(63,534)	(4,115)
Total adjustments	4,979,272	(1,258)	(63,534)	(4,115)
Net assets/fund balance, July 1, 2011, as restated	<u>\$ 459,178,247</u>	<u>\$ (43,709,725)</u>	<u>\$ (7,137,117)</u>	<u>\$ 26,902,795</u>

The corrections to the proprietary funds and the business-type activities are as follows:

		Proprietary Funds	
	Business-type Activities	Water Fund	Sewer Fund
Net assets, June 30, 2011, as previously reported	\$ 318,441,237	\$ 100,919,022	\$ 205,273,780
Corrections of errors:			
Capital assets not recorded correctly (A)	1,998,098	1,326,687	671,411
Development fees not recorded correctly (B)	68,907	(16,674)	85,581
Total adjustments	2,067,005	1,310,013	756,992
Net assets, July 1, 2011, as restated	<u>\$ 320,508,242</u>	<u>\$ 102,229,035</u>	<u>\$ 206,030,772</u>

NOTES TO FINANCIAL STATEMENTS

Explanations for each of the prior period adjustments are as follows:

A. RESTATE CAPITAL ASSETS IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, WATER FUND AND SEWER FUND.

The July 1, 2011 net assets of the governmental activities, business-type activities, Water Fund and Sewer Fund do not agree to the prior year financial statements due to corrections. The City reported duplicates of certain donated capital assets and omitted certain donated infrastructure assets. In fiscal year 2012, the beginning net assets of the governmental activities, business-type activities, Water Fund and Sewer Fund increased \$5,048,179, \$1,998,098, \$1,326,687 and \$671,411, respectively.

B. RESTATE REVENUES IN THE GOVERNMENTAL ACTIVITIES, BUSINESS-TYPE ACTIVITIES, GENERAL GOVERNMENT DEVELOPMENT FEE FUND, FIRE DEVELOPMENT FEE FUND, NONMAJOR GOVERNMENTAL FUNDS, WATER FUND AND SEWER FUND.

The July 1, 2011 net assets/fund balances of the governmental activities, business-type activities, General Government Development Fee Fund, Fire Development Fee Fund, Nonmajor Governmental Funds, Water Fund and Sewer Fund do not agree to the prior year financial statements due to corrections. Some of the development fees collected by the City were not recorded in the appropriate fund. In fiscal year 2012, the beginning net assets of the business-type activities and Sewer Fund increased \$68,907 and \$85,581 respectively, while net assets/fund balance of the governmental activities, General Government Development Fee Fund, Fire Development Fee Fund, Nonmajor Governmental Funds and Water Fund decreased \$68,907, \$1,258, \$63,534, \$4,115 and \$16,674, respectively.





REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information:
APSPRS: Schedule of Funding Progress

POLICE

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension	6/30/2012	\$21,724,184	\$26,877,187	\$(5,153,003)	80.83%	\$ 8,147,849	63.24%
Health Insurance	6/30/2012	-0-	742,582	(742,582)	0.00%	8,147,849	9.11%
Pension	6/30/2011	18,635,939	23,822,110	(5,186,171)	78.23%	8,796,527	58.96%
Health Insurance	6/30/2011	-0-	838,416	(838,416)	0.00%	8,796,527	9.53%
Pension	6/30/2010	15,910,074	19,542,435	(3,632,361)	81.40%	8,941,868	40.60%
Health Insurance	6/30/2010	-0-	574,354	(574,354)	0.00%	8,941,868	6.40%

FIRE

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension	6/30/2012	\$21,783,832	\$25,038,925	\$(3,255,093)	87.00%	\$ 8,487,018	38.35%
Health Insurance	6/30/2012	-0-	605,606	(605,606)	0.00%	8,487,018	7.14%
Pension	6/30/2011	18,264,589	21,611,279	(3,346,690)	84.51%	8,001,344	41.83%
Health Insurance	6/30/2011	-0-	570,118	(570,118)	0.00%	8,001,344	7.13%
Pension	6/30/2010	15,823,870	17,521,519	(1,697,649)	90.30%	7,785,993	21.80%
Health Insurance	6/30/2010	-0-	402,316	(402,316)	0.00%	7,785,993	5.20%

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Taxes	\$ 35,181,000	\$ 35,333,800	\$ 37,108,631	\$ 1,774,831
Licenses and permits	4,769,500	4,769,500	4,586,621	(182,879)
Intergovernmental	23,301,900	23,355,000	23,786,928	431,928
Charges for services	4,859,500	4,837,500	6,788,608	1,951,108
Fines	1,461,400	1,461,400	1,352,612	(108,788)
Rents	543,100	543,100	580,820	37,720
Interest	146,200	146,200	7,456	(138,744)
Donations	-	25,000	256,065	231,065
Indirect charges	3,660,700	3,660,700	3,660,700	-
Other	808,300	808,300	974,975	166,675
Total revenues	<u>74,731,600</u>	<u>74,940,500</u>	<u>79,103,416</u>	<u>4,162,916</u>
Expenditures:				
GENERAL GOVERNMENT				
City council	495,700	399,500	392,772	(6,728)
City manager	716,200	778,200	745,934	(32,266)
Intergovernmental relations	288,500	266,000	258,008	(7,992)
Legal	1,743,100	1,675,700	1,651,924	(23,776)
City clerk	693,900	661,900	650,686	(11,214)
Finance	2,961,300	2,923,400	2,872,076	(51,324)
Human resources	1,613,100	1,483,100	1,437,334	(45,766)
Information technology	4,240,000	3,666,900	3,491,826	(175,074)
Public information	864,300	783,100	761,820	(21,280)
General operations	<u>1,508,800</u>	<u>100,400</u>	<u>2,743</u>	<u>(97,657)</u>
Total general government	<u>15,124,900</u>	<u>12,738,200</u>	<u>12,265,123</u>	<u>(473,077)</u>
PUBLIC SAFETY				
Court	2,122,100	2,055,000	2,031,375	(23,625)
Police	18,999,100	18,803,800	18,734,977	(68,823)
Fire	<u>14,557,000</u>	<u>14,393,300</u>	<u>14,322,056</u>	<u>(71,244)</u>
Total public safety	<u>35,678,200</u>	<u>35,252,100</u>	<u>35,088,408</u>	<u>(163,692)</u>
PUBLIC WORKS AND STREETS				
Public works and streets	<u>6,524,000</u>	<u>6,099,200</u>	<u>6,011,657</u>	<u>(87,543)</u>
Total public works and streets	<u>6,524,000</u>	<u>6,099,200</u>	<u>6,011,657</u>	<u>(87,543)</u>
COMMUNITY DEVELOPMENT				
Community development	<u>4,114,100</u>	<u>6,602,100</u>	<u>6,602,043</u>	<u>(57)</u>
Total community service	<u>\$ 4,114,100</u>	<u>\$ 6,602,100</u>	<u>\$ 6,602,043</u>	<u>\$ (57)</u>

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
CULTURE AND RECREATION				
Arts commission	\$ 32,500	\$ 32,500	\$ 28,023	\$ (4,477)
Parks and recreation	13,035,600	13,337,600	13,265,627	(71,973)
Total culture and recreation	13,068,100	13,370,100	13,293,650	(76,450)
BUDGET				
Contingency	68,200	67,800	-	(67,800)
Planned savings	(2,000,000)	-	-	-
Total budget	(1,931,800)	67,800	-	(67,800)
CAPITAL OUTLAY	195,100	195,100	177,301	(17,799)
Total expenditures	72,772,600	74,324,600	73,438,182	(886,418)
REVENUES OVER EXPENDITURES	1,959,000	615,900	5,665,234	5,049,334
OTHER FINANCING SOURCES (USES)				
Transfers in	1,193,700	1,071,000	968,148	(102,852)
Transfers out	(1,131,600)	(3,352,100)	(3,251,506)	(100,594)
Total other financing sources (uses)	62,100	(2,281,100)	(2,283,358)	(203,446)
NET CHANGE IN FUND BALANCES	<u>\$ 2,021,100</u>	<u>\$ (1,665,200)</u>	<u>\$ 3,381,876</u>	<u>\$ 4,845,888</u>

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Government Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 230,700	\$ 230,700	\$ 557,843	\$ 327,143
Other	-	-	128,947	128,947
Total revenues	230,700	230,700	686,790	456,090
Expenditures:				
Current:				
General government	18,300	47,300	12,731	(34,569)
Public works and streets	655,800	-	-	-
Capital outlay	34,100	34,100	-	(34,100)
Debt Service				
Interest and fiscal charges	3,000,000	3,000,000	-	(3,000,000)
Total expenditures	3,708,200	3,081,400	12,731	(3,068,669)
Revenues over (under) expenditures	(3,477,500)	(2,850,700)	674,059	3,524,759
Other financing (uses)				
Transfers out	-	(667,500)	(667,359)	(141)
Total other financing (uses)	-	(667,500)	(667,359)	(141)
Net change in fund balance	\$ (3,477,500)	\$ (3,518,200)	\$ 6,700	\$ 3,524,618

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Fire Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 265,800	\$ 265,800	\$ 618,681	\$ 352,881
Interest	-	-	1,605	1,605
Other	-	-	13,376	13,376
Total revenues	265,800	265,800	633,662	367,862
Expenditures:				
Current:				
General government	18,300	51,200	12,493	(38,707)
Public safety	119,500	-	-	-
Capital outlay	7,100	7,100	-	(7,100)
Total expenditures	144,900	58,300	12,493	(45,807)
Revenues over expenditures	120,900	207,500	621,169	413,669
Other financing (uses)				
Transfers out	-	(121,700)	(121,602)	(98)
Total other financing (uses)	-	(121,700)	(121,602)	(98)
Net change in fund balance	\$ 120,900	\$ 85,800	\$ 499,567	\$ 413,571

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Highway User Revenue Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ 5,917,000	\$ 5,917,000	\$ 5,914,237	\$ (2,763)
Charges for services	-	-	18,700	18,700
Interest	19,500	19,500	472	(19,028)
Other	18,900	18,900	23,833	4,933
Total revenues	5,955,400	5,955,400	5,957,242	1,842
Expenditures:				
Current:				
Public works and streets	6,455,400	6,459,600	5,797,073	(662,527)
Total expenditures	6,455,400	6,459,600	5,797,073	(662,527)
Revenues over (under) expenditures	(500,000)	(504,200)	160,169	664,369
Other financing sources				
Transfers in	81,300	-	-	-
Total other financing sources	81,300	-	-	-
Net change in fund balance	\$ (418,700)	\$ (504,200)	\$ 160,169	\$ 664,369

See accompanying notes to this schedule.

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Transportation Improvement Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 2,001,197	\$ 501,197
Intergovernmental	-	77,400	-	(77,400)
Grants	1,460,000	1,460,000	-	(1,460,000)
Interest	3,600	3,600	17,668	14,068
Total revenues	2,963,600	3,041,000	2,018,865	(1,022,135)
Expenditures:				
Current:				
General government	-	208,500	189,386	(19,114)
Public works and streets	40,000	68,700	28,601	(40,099)
Community development	286,500	286,500	51,549	(234,951)
Capital outlay	2,560,000	2,535,700	917,683	(1,618,017)
Debt Service				
Interest and fiscal charges	-	2,600	2,500	(100)
Total expenditures	2,886,500	3,102,000	1,189,719	(1,912,281)
Revenues over (under) expenditures	77,100	(61,000)	829,146	890,146
Net change in fund balance	\$ 77,100	\$ (61,000)	\$ 829,146	\$ 890,146

See accompanying notes to this schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds with the following exceptions: (1) Capital Projects Funds adopt project-length budgets which normally extend beyond the fiscal year (2) Compensated absences are expended when paid, (3) Capital outlays within the enterprise funds are expended on a budget basis.

Prior to the third Monday in July, the City Manager submits to the City Council, and Council adopts a tentative budget for the fiscal year commencing on July 1. The tentative budget includes a schedule of the estimated expenditures and revenues. The proposed budget sets the maximum limit. The tentative budget is then published once a week for two consecutive weeks in a local newspaper. Finally, the City holds a public hearing on the budget and convenes a special meeting to adopt the final proposed budget on or before the 14th day before the tax levy is adopted.

The budget is adopted at the department level in the General Fund and at the fund level for all other funds. Expenditures may not exceed this limit, but transfers may be approved to address new issues, increased prices and changes in scope of existing projects. In such cases, transfers may be approved after final adoption by the Council at a public meeting.



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

General Capital Projects Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 620,000	\$ 620,000	\$ -	\$ (620,000)
Grants	-	82,100	198,735	116,635
Interest	246,500	246,500	57,604	(188,896)
Other	-	16,000	34,692	18,692
Total revenues	<u>866,500</u>	<u>964,600</u>	<u>291,031</u>	<u>(673,569)</u>
Expenditures:				
Current:				
Public works and streets	305,400	461,800	-	(461,800)
Culture and recreation	120,000	120,000	-	(120,000)
Capital outlay	4,996,600	5,284,400	2,723,608	(2,560,792)
Total expenditures	<u>5,422,000</u>	<u>5,866,200</u>	<u>2,723,608</u>	<u>(3,142,592)</u>
Revenues (under) expenditures	<u>(4,555,500)</u>	<u>(4,901,600)</u>	<u>(2,432,577)</u>	<u>2,469,023</u>
Other financing sources				
Transfers in	950,000	1,685,100	1,685,089	(11)
Total other financing sources	<u>950,000</u>	<u>1,685,100</u>	<u>1,685,089</u>	<u>(11)</u>
Net change in fund balance	<u>\$ (3,605,500)</u>	<u>\$ (3,216,500)</u>	<u>\$ (747,488)</u>	<u>\$ 2,469,012</u>

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Non- major Governmental
Assets			
Cash and investments	\$ 23,749,503	\$ -	\$ 23,749,503
Receivables (net of allowances)			
Taxes and franchise fees	102,760	-	102,760
Grants	205,964	-	205,964
Other	71	-	71
Restricted cash and investments	1,373,382	6,375,597	7,748,979
Total assets	<u>\$ 25,431,680</u>	<u>\$ 6,375,597</u>	<u>\$ 31,807,277</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 376,689	\$ -	\$ 376,689
Accrued payroll and related taxes	5,201	-	5,201
Due to other funds	58,923	-	58,923
Deferred revenues	774,077	-	774,077
Contracts payable	124,451	-	124,451
Other liabilities	119,282	-	119,282
Matured bond interest payable	241,823	552,586	794,409
Matured bonds payable	190,000	2,259,900	2,449,900
Total liabilities	<u>1,890,446</u>	<u>2,812,486</u>	<u>4,702,932</u>
Fund balances:			
Restricted	23,183,619	3,563,111	26,746,730
Committed	324,039	-	324,039
Assigned	33,576	-	33,576
Total fund balances	<u>23,541,234</u>	<u>3,563,111</u>	<u>27,104,345</u>
Total liabilities and fund balances	<u>\$ 25,431,680</u>	<u>\$ 6,375,597</u>	<u>\$ 31,807,277</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Non-major Governmental Funds
Revenues:			
Taxes	\$ 3,180,281	\$ -	\$ 3,180,281
Intergovernmental	774,863	-	774,863
Charges for services	245,179	-	245,179
Grants	1,427,799	-	1,427,799
Fines	517,590	-	517,590
Development fees	1,238,766	-	1,238,766
Interest	168,196	25,176	193,372
Donations	1,307	-	1,307
Total revenues	<u>7,553,981</u>	<u>25,176</u>	<u>7,579,157</u>
Expenditures:			
Current			
General government	147,989	-	147,989
Public safety	504,446	-	504,446
Public works and streets	2,869,181	-	2,869,181
Community development	682,785	-	682,785
Culture and recreation	127,888	-	127,888
Capital outlay	1,359,236	-	1,359,236
Debt service			-
Principal	190,000	2,259,900	2,449,900
Interest and fiscal charges	484,645	1,106,915	1,591,560
Total expenditures	<u>6,366,170</u>	<u>3,366,815</u>	<u>9,732,985</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>1,187,811</u>	<u>(3,341,639)</u>	<u>(2,153,828)</u>
Other financing sources (uses)			
Transfers in	30,960	3,365,750	3,396,710
Transfers out	(1,041,332)	-	(1,041,332)
Total other financing sources (uses)	<u>(1,010,372)</u>	<u>3,365,750</u>	<u>2,355,378</u>
Net change in fund balances	<u>177,439</u>	<u>24,111</u>	<u>201,550</u>
Fund balances, beginning, as restated	<u>23,363,795</u>	<u>3,539,000</u>	<u>26,902,795</u>
Fund balances, ending	<u>\$ 23,541,234</u>	<u>\$ 3,563,111</u>	<u>\$ 27,104,345</u>

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- ❖ Special revenue funds – These funds account for specific non-capital revenues that are restricted in their allowable use.
 - *Employee Dep Scholarship Fund* – Employee dependent scholarships awarded to the dependents of current City of Surprise employees. Donations and interest earnings fund these scholarships. City policy restricts the use of these funds.
 - *Grants Fund* – This fund has been established to account for revenues and expenditures from the various grants received by the City.
 - *LTAF II Fund* – This fund has been established to account for revenues and expenditures received by the City from the state of Arizona. These funds are a portion of lottery money collected and can be used to fund transit operations, facilities, and equipment purchases.
 - *Library Development Fee Fund* – This fund was established to account for the inflow of library development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing, and furnishing of new items directly related to the increased demand on library services caused by growth.
 - *Marley Park Community Facility District Fund* – This fund was established to provide a location to process operating expenditures and for the collection of the related portion of the property taxes from properties located in the district. These proceeds are legally restricted to the payment of operations within the district.
 - *Municipal Court Enhancement Fund* – Established in FY2003 this fund tracks revenue associated with fines dedicated to Municipal Court technology improvements. City policy restricts the use of these funds.
 - *Municipal Court FARE Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that enhance the fine collections process. FARE - Fines/fees and restitution enforcement.
 - *Municipal Court JCEF Fund* – This fund is used to discretely track funds received by the City that are restricted to use on technology improvements in the Municipal Court. JCEF - Judicial court enhancement fund.
 - *Municipal Court MFTG Fund* – This fund is used to discretely track funds received by the City that are restricted to use on projects that aid in the processing of criminal cases. MFTG - Municipal fill the gap.
 - *Neighborhood Revitalization Fund* – This fund is used to track all revenues and expenditures associated with the City's neighborhood revitalization program. This program is funded through a combination of federal, state, and local funds. City policy, grant agreements, and contractual obligations restrict the use of these funds.
 - *Net Premium Seating Fund* – This fund was established to account for the revenues and expenditures for a ticket surcharge on the sale of spring training tickets for premium seats.
 - *Parks and Recreation Development Fee Fund* – This fund was established to account for the inflow of parks and recreation development fees levied on new residential construction. This fee can only be used for the purchase, construction, financing and furnishing of new items directly related to the increased demand on parks and recreation services caused by growth.
 - *Police Development Fee Fund* – This fund was established to account for the inflow of police development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on police services caused by growth.

NON-MAJOR GOVERNMENTAL FUND DESCRIPTIONS

- *Proposition 400 Fund* – This fund is used to track all revenues and expenditures for the county wide half-cent sales tax to be used for regional transportation improvements.
 - *Public Works Expansion Development Fee Fund* – This fund was established to account for the inflow of public works development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing and furnishing of new capital or one-time items directly related to the increased demand on public works caused by growth.
 - *Roads of Regional Significance SPA 2, 4 & 6 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *Roads of Regional Significance SPA 3 & 5 Fund* – This fund was established to account for the inflow of development fees levied on new residential and commercial construction. This fee can only be used for the purchase, construction, financing, and furnishing of new capital or one-time items directly related to the increased demand on roadways caused by growth.
 - *SB1398 Fines Fund* – This fund was established to account for funds the City receives from the state of Arizona for penalties charged on certain violations. These revenues are limited to the purchase of officer safety equipment.
 - *SPD DEA Fund* - This fund is used to discretely track funds received from the participation on DEA task forces in the Greater Phoenix area. This use of these funds is limited to approval by the disbursing program manager and is generally related to purchase and maintenance of departmental equipment not included in the general budgets. SPD – Surprise Police Department. DEA – Drug Enforcement Activity.
 - *SPD RICO Fund* – This fund is used to discretely track funds received from participation in the Maricopa County Attorney’s Office Anti-Racketeering Influenced and Corrupt Organizations (RICO) task force.
 - *SPD Towing Fund* – This fund is used to track activity in the Police Department for vehicle impounds. The use of these funds is limited to administrative management of the vehicle impound program.
 - *Spring Training Ticket Surcharge Fund* – This fund was established to account for the revenues and expenditures from a \$1 per ticket surcharge on the sale of spring training tickets. These revenues are limited to operational improvements to stadium facilities.
 - *Street Lighting Districts Fund* – Eighty-four Street Light Improvement Districts (SLIDs) have been established by ordinance to provide a centralized location for the collection of taxes from properties located in the district. These proceeds are legally restricted to the payment of electricity to operate the street lights within the district.
 - *Tourism Fund* – This fund is used to track all revenues and expenditures associated with the City’s 2.52% bed tax. The funds are used to support tourism within the City. City policy and state statute restrict the use of these funds.
- ❖ Debt service fund –Used to track those activities relating to the issuance and repayment of debt.
- *2000-03 Debt Service Fund* – This fund was created to track the debt service payments for the 2000-03 Municipal Property Corporation (MPC) bond issuance.

City of Surprise, Arizona
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2012

	Employee Dep Scholarship Fund	Grants Fund	LTAF II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Assets					
Cash and investments	\$ 9,295	\$ -	\$ -	\$ 4,382,920	\$ 592,727
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	32,474
Grants	-	72,151	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	8,363	-	-	-
Total assets	\$ 9,295	\$ 80,514	\$ -	\$ 4,382,920	\$ 625,201
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ 13,228	\$ -	\$ 782	\$ -
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	58,923	-	-	-
Deferred revenues	-	8,363	-	-	28,888
Contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
Matured bond interest payable	-	-	-	-	241,823
Matured bonds payable	-	-	-	-	190,000
Total liabilities	-	80,514	-	782	460,711
Fund balances:					
Restricted	3,021	-	-	4,382,138	155,030
Committed	-	-	-	-	-
Assigned	6,274	-	-	-	9,460
Total fund balances	9,295	-	-	4,382,138	164,490
Total liabilities and fund balances	\$ 9,295	\$ 80,514	\$ -	\$ 4,382,920	\$ 625,201

Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborh. Revitaliz. Fund	Net Premium Seating Fund	Parks and Recreation Development Fee Fund
\$ 358,051	\$ 9,416	\$ 98,594	\$ 36,926	\$ 127,098	\$ 29,657	\$ 4,201,434
-	-	-	-	-	-	-
-	-	-	-	127,402	-	-
-	-	-	-	71	-	-
-	-	-	-	277,890	-	143,712
<u>\$ 358,051</u>	<u>\$ 9,416</u>	<u>\$ 98,594</u>	<u>\$ 36,926</u>	<u>\$ 532,461</u>	<u>\$ 29,657</u>	<u>\$ 4,345,146</u>

\$ 6,450	\$ -	\$ -	\$ 3,640	\$ 122,932	\$ -	\$ 782
-	-	207	-	4,163	-	-
-	-	-	-	-	-	-
-	-	-	-	405,366	-	-
-	-	-	-	-	-	85,828
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,450</u>	<u>-</u>	<u>207</u>	<u>3,640</u>	<u>532,461</u>	<u>-</u>	<u>86,610</u>
340,898	9,216	98,387	33,286	-	29,657	4,258,536
-	-	-	-	-	-	-
<u>10,703</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>351,601</u>	<u>9,416</u>	<u>98,387</u>	<u>33,286</u>	<u>-</u>	<u>29,657</u>	<u>4,258,536</u>
<u>\$ 358,051</u>	<u>\$ 9,416</u>	<u>\$ 98,594</u>	<u>\$ 36,926</u>	<u>\$ 532,461</u>	<u>\$ 29,657</u>	<u>\$ 4,345,146</u>

Continued

City of Surprise, Arizona
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Assets					
Cash and investments	\$ 1,032,279	\$ 119,282	\$ 9,520,558	\$ 2,094,702	\$ 23,127
Receivables (net of allowances)					
Taxes and franchise fees	-	-	-	-	-
Grants	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	<u>\$ 1,032,279</u>	<u>\$ 119,282</u>	<u>\$ 9,520,558</u>	<u>\$ 2,094,702</u>	<u>\$ 23,127</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 782	\$ -	\$ 22,083	\$ 391	\$ 391
Accrued payroll and related taxes	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Contracts payable	-	-	38,623	-	-
Other liabilities	-	119,282	-	-	-
Matured bond interest payable	-	-	-	-	-
Matured bonds payable	-	-	-	-	-
Total liabilities	<u>782</u>	<u>119,282</u>	<u>60,706</u>	<u>391</u>	<u>391</u>
Fund balances:					
Restricted	1,031,497	-	9,459,852	2,094,311	22,736
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>1,031,497</u>	<u>-</u>	<u>9,459,852</u>	<u>2,094,311</u>	<u>22,736</u>
Total liabilities and fund balances	<u>\$ 1,032,279</u>	<u>\$ 119,282</u>	<u>\$ 9,520,558</u>	<u>\$ 2,094,702</u>	<u>\$ 23,127</u>

SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Total Nonmajor Special Revenue Funds
\$ 16,927	\$ 149,411	\$ -	\$ 338,038	\$ 100,266	\$ 202,538	\$ 306,257	\$ 23,749,503
-	-	-	-	-	49,999	20,287	102,760
-	6,411	-	-	-	-	-	205,964
-	-	-	-	-	-	-	71
-	17,968	643,988	-	-	281,461	-	1,373,382
<u>\$ 16,927</u>	<u>\$ 173,790</u>	<u>\$ 643,988</u>	<u>\$ 338,038</u>	<u>\$ 100,266</u>	<u>\$ 533,998</u>	<u>\$ 326,544</u>	<u>\$ 25,431,680</u>
\$ -	\$ 2,535	\$ -	\$ 155	\$ -	\$ 202,538	\$ -	\$ 376,689
-	-	-	831	-	-	-	5,201
-	-	-	-	-	-	-	58,923
-	-	-	-	-	331,460	-	774,077
-	-	-	-	-	-	-	124,451
-	-	-	-	-	-	-	119,282
-	-	-	-	-	-	-	241,823
-	-	-	-	-	-	-	190,000
-	2,535	-	986	-	533,998	-	1,890,446
16,927	171,255	643,988	332,618	100,266	-	-	23,183,619
-	-	-	-	-	-	324,039	324,039
-	-	-	4,434	-	-	2,505	33,576
<u>16,927</u>	<u>171,255</u>	<u>643,988</u>	<u>337,052</u>	<u>100,266</u>	<u>-</u>	<u>326,544</u>	<u>23,541,234</u>
<u>\$ 16,927</u>	<u>\$ 173,790</u>	<u>\$ 643,988</u>	<u>\$ 338,038</u>	<u>\$ 100,266</u>	<u>\$ 533,998</u>	<u>\$ 326,544</u>	<u>\$ 25,431,680</u>

Concluded

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2012

	Employee Dep Scholarship Fund	Grants Fund	LTAF II Fund	Library Development Fee Fund	Marley Park Community Facility District Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 613,150
Intergovernmental	-	50,526	344,813	-	-
Charges for services	-	-	-	-	-
Grants	-	745,014	-	-	-
Fines	-	-	-	-	-
Development fees	-	-	-	108,303	-
Interest	72	-	-	30,285	-
Donations	1,307	-	-	-	-
Total revenues	1,379	795,540	344,813	138,588	613,150
Expenditures:					
Current:					
General government	6,000	5,000	-	8,599	54,741
Public safety	-	210,090	-	-	-
Public works and streets	-	14,005	344,813	-	-
Community development	-	-	-	-	-
Culture and recreation	-	41,724	-	-	-
Capital outlay	-	524,721	-	-	-
Debt service					
Principal	-	-	-	-	190,000
Interest and fiscal charges	-	-	-	-	484,645
Total expenditures	6,000	795,540	344,813	8,599	729,386
Excess (deficiency) of revenues over (under) expenditures	(4,621)	-	-	129,989	(116,236)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing	-	-	-	-	-
Net change in fund balances	(4,621)	-	-	129,989	(116,236)
Fund balances, beginning, as restated	13,916	-	-	4,252,149	280,726
Fund balances, ending	\$ 9,295	\$ -	\$ -	\$ 4,382,138	\$ 164,490

Municipal Court Enhancement Fund	Municipal Court FARE Fund	Municipal Court JCEF Fund	Municipal Court MFTG Fund	Neighborh. Revitaliz. Fund	Net Premium Seating Fund	Parks and Recreation Development Fee Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	8,466	-	-	-
-	-	-	-	-	25,418	-
105,280	-	22,289	-	682,785	-	-
-	-	-	-	-	-	-
2,355	84	577	324	-	-	531,168
-	-	-	-	-	-	31,771
-	-	-	-	-	-	-
107,635	84	22,866	8,790	682,785	25,418	562,939
-	-	-	-	-	-	23,481
78,790	-	-	37,765	-	-	-
-	-	-	-	-	-	-
-	-	-	-	682,785	-	-
-	-	-	-	-	26,721	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
78,790	-	-	37,765	682,785	26,721	23,481
28,845	84	22,866	(28,975)	-	(1,303)	539,458
-	-	-	-	-	30,960	-
-	-	-	-	-	-	(795,234)
-	-	-	-	-	30,960	(795,234)
28,845	84	22,866	(28,975)	-	29,657	(255,776)
322,756	9,332	75,521	62,261	-	-	4,514,312
\$ 351,601	\$ 9,416	\$ 98,387	\$ 33,286	\$ -	\$ 29,657	\$ 4,258,536

Continued

City of Surprise, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2012

	Police Development Fee Fund	Proposition 400 Fund	Public Works Expansion Development Fee Fund	Roads of Regional Significance SPA 2, 4 and 6 Fund	Roads of Regional Significance SPA 3 and 5 Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	371,058	-	-	-
Charges for services	-	-	-	-	-
Grants	-	-	-	-	-
Fines	-	-	-	-	-
Development fees	306,529	-	285,059	2,641	5,066
Interest	7,164	-	68,098	14,701	134
Donations	-	-	-	-	-
Total revenues	<u>313,693</u>	<u>371,058</u>	<u>353,157</u>	<u>17,342</u>	<u>5,200</u>
Expenditures:					
Current:					
General government	20,082	-	782	27,673	1,631
Public safety	-	-	-	-	-
Public works and streets	-	38,439	62,472	-	-
Community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	332,619	327,033	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>20,082</u>	<u>371,058</u>	<u>390,287</u>	<u>27,673</u>	<u>1,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>293,611</u>	<u>-</u>	<u>(37,130)</u>	<u>(10,331)</u>	<u>3,569</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(246,098)	-	-	-	-
Total other financing	<u>(246,098)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>47,513</u>	<u>-</u>	<u>(37,130)</u>	<u>(10,331)</u>	<u>3,569</u>
Fund balances, beginning, as restated	<u>983,984</u>	<u>-</u>	<u>9,496,982</u>	<u>2,104,642</u>	<u>19,167</u>
Fund balances, ending	<u>\$ 1,031,497</u>	<u>\$ -</u>	<u>\$ 9,459,852</u>	<u>\$ 2,094,311</u>	<u>\$ 22,736</u>

SB1398 Fines Fund	SPD DEA Fund	SPD RICO Fund	SPD Towing Fund	Spring Training Ticket Surcharge Fund	Street Lighting Districts Fund	Tourism Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,399,279	\$ 167,852	\$ 3,180,281
-	-	-	-	-	-	-	774,863
-	-	-	113,850	100,266	5,645	-	245,179
-	-	-	-	-	-	-	1,427,799
16,927	17,968	355,126	-	-	-	-	517,590
-	-	-	-	-	-	-	1,238,766
-	1,516	2,836	2,145	-	4,528	1,606	168,196
-	-	-	-	-	-	-	1,307
16,927	19,484	357,962	115,995	100,266	2,409,452	169,458	7,553,981
-	-	-	-	-	-	-	147,989
-	66,457	45,277	66,067	-	-	-	504,446
-	-	-	-	-	2,409,452	-	2,869,181
-	-	-	-	-	-	-	682,785
-	-	-	-	-	-	59,443	127,888
-	-	174,863	-	-	-	-	1,359,236
-	-	-	-	-	-	-	190,000
-	-	-	-	-	-	-	484,645
-	66,457	220,140	66,067	-	2,409,452	59,443	6,366,170
16,927	(46,973)	137,822	49,928	100,266	-	110,015	1,187,811
-	-	-	-	-	-	-	30,960
-	-	-	-	-	-	-	(1,041,332)
-	-	-	-	-	-	-	(1,010,372)
16,927	(46,973)	137,822	49,928	100,266	-	110,015	177,439
-	218,228	506,166	287,124	-	-	216,529	23,363,795
\$ 16,927	\$ 171,255	\$ 643,988	\$ 337,052	\$ 100,266	\$ -	\$ 326,544	\$ 23,541,234

Concluded

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Employee Dep Scholarship Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Interest	\$ 100	\$ 100	\$ 72	\$ (28)
Donations	1,700	1,700	1,307	(393)
Total revenues	1,800	1,800	1,379	(421)
Expenditures:				
Current:				
General government	6,000	6,000	6,000	-
Budget				
Contingency	10,600	10,600	-	(10,600)
Total expenditures	16,600	16,600	6,000	(10,600)
Revenues (under) expenditures	(14,800)	(14,800)	(4,621)	10,179
Net change in fund balance	\$ (14,800)	\$ (14,800)	\$ (4,621)	\$ 10,179

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Grants Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ -	\$ 51,600	\$ 50,526	\$ (1,074)
Grants	68,200,000	63,518,300	745,014	(62,773,286)
Total revenues	68,200,000	63,569,900	795,540	(62,774,360)
Expenditures:				
Current:				
General government	27,000,000	24,154,200	5,000	(24,149,200)
Public safety	-	309,600	210,090	(99,510)
Public works and streets	-	14,100	14,005	(95)
Culture and recreation	-	50,000	41,724	(8,276)
Capital outlay	-	1,169,200	524,721	(644,479)
Budget				
Contingency	41,387,300	32,595,800	-	(32,595,800)
Total expenditures	68,387,300	58,292,900	795,540	(57,497,360)
Revenues over (under) expenditures	(187,300)	5,277,000	-	(5,277,000)
Net change in fund balance	\$ (187,300)	\$ 5,277,000	\$ -	\$ (5,277,000)

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

LTAF II Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ -	\$ 344,900	\$ 344,813	\$ (87)
Total revenues	-	344,900	344,813	(87)
Expenditures:				
Current:				
Public works and streets	-	344,900	344,813	(87)
Total expenditures	-	344,900	344,813	(87)
Revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Library Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 87,700	\$ 87,700	\$ 108,303	\$ 20,603
Interest	85,300	85,300	30,285	(55,015)
Total revenues	173,000	173,000	138,588	(34,412)
Expenditures:				
Current:				
General government	18,300	47,300	8,599	(38,701)
Total expenditures	18,300	47,300	8,599	(38,701)
Revenues over expenditures	154,700	125,700	129,989	4,289
Net change in fund balance	\$ 154,700	\$ 125,700	\$ 129,989	\$ 4,289

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Marley Park Community Facility District Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 625,800	\$ 625,800	\$ 613,150	\$ (12,650)
Interest	5,000	5,000	-	(5,000)
Total revenues	630,800	630,800	613,150	(17,650)
Expenditures:				
Current:				
General government	61,900	61,900	54,741	(7,159)
Debt Service				
Principal	180,000	190,000	190,000	-
Interest and fiscal charges	487,900	483,700	484,645	945
Total expenditures	729,800	735,600	729,386	(6,214)
Revenues (under) expenditures	(99,000)	(104,800)	(116,236)	(11,436)
Net change in fund balance	\$ (99,000)	\$ (104,800)	\$ (116,236)	\$ (11,436)

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court Enhancement Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ 118,200	\$ 118,200	\$ 105,280	\$ (12,920)
Interest	-	-	2,355	2,355
Total revenues	118,200	118,200	107,635	(10,565)
Expenditures:				
Current:				
Public safety	269,000	269,000	78,790	(190,210)
Budget				
Contingency	171,800	171,800	-	(171,800)
Total expenditures	440,800	440,800	78,790	(362,010)
Revenues over (under) expenditures	(322,600)	(322,600)	28,845	351,445
Net change in fund balance	\$ (322,600)	\$ (322,600)	\$ 28,845	\$ 351,445

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court FARE Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Grants	\$ 5,600	\$ 5,600	\$ -	\$ (5,600)
Interest	-	-	84	84
Total revenues	5,600	5,600	84	(5,516)
Expenditures:				
Budget				
Contingency	12,800	12,800	-	(12,800)
Total expenditures	12,800	12,800	-	(12,800)
Revenues over (under) expenditures	(7,200)	(7,200)	84	7,284
Net change in fund balance	\$ (7,200)	\$ (7,200)	\$ 84	\$ 7,284

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court JCEF Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Fines	\$ 25,000	\$ 25,000	\$ 22,289	\$ (2,711)
Interest	-	-	577	577
Total revenues	25,000	25,000	22,866	(2,134)
Expenditures:				
Current:				
Public safety	82,700	82,700	-	(82,700)
Budget				
Contingency	11,700	11,700	-	(11,700)
Total expenditures	94,400	94,400	-	(94,400)
Revenues over (under) expenditures	(69,400)	(69,400)	22,866	92,266
Net change in fund balance	\$ (69,400)	\$ (69,400)	\$ 22,866	\$ 92,266

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Municipal Court MFTG Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ -	\$ 14,600	\$ 8,466	\$ (6,134)
Grants	14,600	-	-	-
Interest	-	-	324	324
Total revenues	14,600	14,600	8,790	(5,810)
Expenditures:				
Current:				
Public safety	55,000	55,000	37,765	(17,235)
Budget				
Contingency	17,100	17,100	-	(17,100)
Total expenditures	72,100	72,100	37,765	(34,335)
Revenues (under) expenditures	(57,500)	(57,500)	(28,975)	28,525
Net change in fund balance	\$ (57,500)	\$ (57,500)	\$ (28,975)	\$ 28,525

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Neighborh. Revitaliz. Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Grants	\$ 2,805,000	\$ 4,385,400	\$ 682,785	\$ (3,702,615)
Total revenues	2,805,000	4,385,400	682,785	(3,702,615)
Expenditures:				
Current:				
Community development	2,805,000	4,385,400	682,785	(3,702,615)
Total expenditures	2,805,000	4,385,400	682,785	(3,702,615)
Revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Net Premium Seating Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Charges for services	\$ -	\$ 25,500	\$ 25,418	\$ (82)
Total revenues	-	25,500	25,418	(82)
Expenditures:				
Current:				
Culture and recreation	-	26,800	26,721	(79)
Total expenditures	-	26,800	26,721	(79)
Revenues (under) expenditures	-	(1,300)	(1,303)	(3)
Other financing sources				
Transfers in	-	31,100	30,960	(140)
Total other financing sources	-	31,100	30,960	(140)
Net change in fund balance	\$ -	\$ 29,800	\$ 29,657	\$ (143)

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Parks and Recreation Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 296,000	\$ 296,000	\$ 531,168	\$ 235,168
Interest	-	-	31,771	31,771
Total revenues	296,000	296,000	562,939	266,939
Expenditures:				
Current:				
General government	18,300	47,300	23,481	(23,819)
Culture and recreation	781,400	-	-	-
Capital outlay	54,900	54,900	-	(54,900)
Total expenditures	854,600	102,200	23,481	(78,719)
Revenues over (under) expenditures	(558,600)	193,800	539,458	345,658
Other financing (uses)				
Transfers out	-	(795,300)	(795,234)	(66)
Total other financing (uses)	-	(795,300)	(795,234)	(66)
Net change in fund balance	\$ (558,600)	\$ (601,500)	\$ (255,776)	\$ 345,592

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Police Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 96,400	\$ 96,400	\$ 306,529	\$ 210,129
Interest	53,100	53,100	7,164	(45,936)
Total revenues	149,500	149,500	313,693	164,193
Expenditures:				
Current:				
General government	18,300	47,300	20,082	(27,218)
Public safety	241,900	-	-	-
Total expenditures	260,200	47,300	20,082	(27,218)
Revenues over (under) expenditures	(110,700)	102,200	293,611	191,411
Other financing (uses)				
Transfers out	-	(246,200)	(246,098)	(102)
Total other financing (uses)	-	(246,200)	(246,098)	(102)
Net change in fund balance	\$ (110,700)	\$ (144,000)	\$ 47,513	\$ 191,309

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Proposition 400 Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ -	\$ 371,400	\$ 371,058	\$ (342)
Total revenues	-	371,400	371,058	(342)
Expenditures:				
Current:				
Public works and streets	-	38,600	38,439	(161)
Capital outlay	-	332,800	332,619	(181)
Total expenditures	-	371,400	371,058	(342)
Revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Public Works Expansion Development Fee Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ 277,100	\$ 277,100	\$ 285,059	\$ 7,959
Interest	146,900	146,900	68,098	(78,802)
Total revenues	424,000	424,000	353,157	(70,843)
Expenditures:				
Current:				
General government	18,300	47,300	782	(46,518)
Public works and streets	186,300	191,300	62,472	(128,828)
Capital outlay	492,900	537,500	327,033	(210,467)
Total expenditures	697,500	776,100	390,287	(385,813)
Revenues (under) expenditures	(273,500)	(352,100)	(37,130)	314,970
Net change in fund balance	\$ (273,500)	\$ (352,100)	\$ (37,130)	\$ 314,970

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Roads of Regional Significance SPA 2, 4 and 6 Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Development fees	\$ -	\$ -	\$ 2,641	\$ 2,641
Interest	30,900	30,900	14,701	(16,199)
Total revenues	30,900	30,900	17,342	(13,558)
Expenditures:				
Current:				
General government	9,300	50,900	27,673	(23,227)
Total expenditures	9,300	50,900	27,673	(23,227)
Revenues over (under) expenditures	21,600	(20,000)	(10,331)	9,669
Net change in fund balance	\$ 21,600	\$ (20,000)	\$ (10,331)	\$ 9,669

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Roads of Regional Significance SPA 3 and 5 Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Development fees	\$ -	\$ -	\$ 5,066	\$ 5,066
Interest	300	300	134	(166)
Total revenues	300	300	5,200	4,900
Expenditures:				
Current:				
General government	9,300	23,600	1,631	(21,969)
Total expenditures	9,300	23,600	1,631	(21,969)
Revenues over (under) expenditures	(9,000)	(23,300)	3,569	26,869
Net change in fund balance	\$ (9,000)	\$ (23,300)	\$ 3,569	\$ 26,869

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SB1398 Fines Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Fines	\$ -	\$ 17,000	\$ 16,927	\$ (73)
Total revenues	-	17,000	16,927	(73)
 Revenues over expenditures	-	17,000	16,927	(73)
Net change in fund balance	\$ -	\$ 17,000	\$ 16,927	\$ (73)

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD DEA Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Intergovernmental	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Fines	-	-	17,968	17,968
Interest	-	-	1,516	1,516
Total revenues	75,000	75,000	19,484	(55,516)
Expenditures:				
Current:				
Public safety	50,000	66,500	66,457	(43)
Budget				
Contingency	340,200	323,700	-	(323,700)
Total expenditures	390,200	390,200	66,457	(323,743)
Revenues (under) expenditures	(315,200)	(315,200)	(46,973)	268,227
Net change in fund balance	\$ (315,200)	\$ (315,200)	\$ (46,973)	\$ 268,227

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD RICO Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 15,000	\$ -	\$ -	\$ -
Fines	-	355,200	355,126	(74)
Interest	-	-	2,836	2,836
Total revenues	15,000	355,200	357,962	2,762
Expenditures:				
Current:				
Public safety	-	45,500	45,277	(223)
Capital outlay	-	174,900	174,863	(37)
Budget Contingency	113,200	-	-	-
Total expenditures	113,200	220,400	220,140	(260)
Revenues over (under) expenditures	(98,200)	134,800	137,822	3,022
Net change in fund balance	\$ (98,200)	\$ 134,800	\$ 137,822	\$ 3,022

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

SPD Towing Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ 113,850	\$ 13,850
Interest	-	-	2,145	2,145
Total revenues	100,000	100,000	115,995	15,995
Expenditures:				
Current:				
Public safety	118,300	118,300	66,067	(52,233)
Budget				
Contingency	257,900	257,900	-	(257,900)
Total expenditures	376,200	376,200	66,067	(310,133)
Revenues over (under) expenditures	(276,200)	(276,200)	49,928	326,128
Net change in fund balance	\$ (276,200)	\$ (276,200)	\$ 49,928	\$ 326,128

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Spring Training Ticket Surcharge Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 100,266	\$ 100,266
Total revenues	-	-	100,266	100,266
Revenues over expenditures	-	-	100,266	100,266
Net change in fund balance	\$ -	\$ -	\$ 100,266	\$ 100,266

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Street Lighting Districts Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Taxes	\$ 2,162,400	\$ 2,162,400	\$ 2,399,279	\$ 236,879
Charges for services	-	-	5,645	5,645
Interest	7,000	7,000	4,528	(2,472)
Total revenues	2,169,400	2,169,400	2,409,452	240,052
Expenditures:				
Current:				
Public works and streets	2,439,369	2,439,369	2,409,452	(29,917)
Budget				
Contingency	757,131	755,231	-	(755,231)
Total expenditures	3,196,500	3,194,600	2,409,452	(785,148)
Revenues (under) expenditures	(1,027,100)	(1,025,200)	-	1,025,200
Net change in fund balance	\$ (1,027,100)	\$ (1,025,200)	\$ -	\$ 1,025,200

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

Tourism Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Over
				(Under)
Revenues:				
Taxes	\$ 385,000	\$ 385,000	\$ 167,852	\$ (217,148)
Interest	100	100	1,606	1,506
Total revenues	385,100	385,100	169,458	(215,642)
Expenditures:				
Current:				
Culture and recreation	-	79,100	59,443	(19,657)
Budget				
Contingency	295,400	369,100	-	(369,100)
Total expenditures	295,400	448,200	59,443	(388,757)
Revenues over (under) expenditures	89,700	(63,100)	110,015	173,115
Other financing (uses)				
Transfers out	(152,800)	-	-	-
Total other financing (uses)	(152,800)	-	-	-
Net change in fund balance	\$ (63,100)	\$ (63,100)	\$ 110,015	\$ 173,115

City of Surprise, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual

2000-03 Debt Service Fund

Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Rents	\$ 4,741,500	\$ -	\$ -	\$ -
Interest	77,500	77,500	25,176	(52,324)
Total revenues	4,819,000	77,500	25,176	(52,324)
Expenditures:				
Debt Service				
Principal	3,080,000	3,080,000	2,259,900	(820,100)
Interest and fiscal charges	1,664,000	1,664,000	1,106,915	(557,085)
Total expenditures	4,744,000	4,744,000	3,366,815	(1,377,185)
Revenues over (under) expenditures	75,000	(4,666,500)	(3,341,639)	1,324,861
Other financing sources				
Transfers in	-	3,365,800	3,365,750	(50)
Total other financing sources	-	3,365,800	3,365,750	(50)
Net change in fund balance	\$ 75,000	\$ (1,300,700)	\$ 24,111	\$ 1,324,811

INTERNAL SERVICE FUND DESCRIPTIONS

- ❖ Internal service funds – These funds are used to track those transactions relating to the City’s internal insurance activities.
 - *Employee Healthcare Fund* – This fund was created to provide health insurance claims, plan administration, stop loss premiums, and fund reserves.
 - *Risk Management Fund* – This fund was created to provide general insurance coverage as well as risk management, loss control, and safety programs citywide.

City of Surprise, Arizona
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	\$ 2,762,361	\$ 2,010,572	\$ 4,772,933
Receivables (net of allowances)			
Other	-	109,072	109,072
Other assets	1,207	3,788	4,995
Total current assets	<u>2,763,568</u>	<u>2,123,432</u>	<u>4,887,000</u>
Total assets	<u>2,763,568</u>	<u>2,123,432</u>	<u>4,887,000</u>
Liabilities			
Current liabilities:			
Accounts payable	-	72,827	72,827
Accrued payroll and related taxes	1,361	2,094	3,455
Insurance claims payable	1,412,789	-	1,412,789
Compensated absences payable	1,672	2,579	4,251
Total current liabilities	<u>1,415,822</u>	<u>77,500</u>	<u>1,493,322</u>
Noncurrent liabilities:			
Compensated absences payable, due in more than one year	2,128	3,283	5,411
Total noncurrent liabilities	<u>2,128</u>	<u>3,283</u>	<u>5,411</u>
Total liabilities	<u>1,417,950</u>	<u>80,783</u>	<u>1,498,733</u>
Net Assets			
Unrestricted	<u>1,345,618</u>	<u>2,042,649</u>	<u>3,388,267</u>
Total net assets	<u>\$ 1,345,618</u>	<u>\$ 2,042,649</u>	<u>\$ 3,388,267</u>

City of Surprise, Arizona

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds

Fiscal Year Ended June 30, 2012

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services	\$ 8,211,564	\$ 1,544,203	\$ 9,755,767
Total operating revenues	8,211,564	1,544,203	9,755,767
Operating Expenses:			
Cost of sales and services	6,835,692	1,470,955	8,306,647
Total operating expenses	6,835,692	1,470,955	8,306,647
Operating income	1,375,872	73,248	1,449,120
Non-operating revenues			
Interest revenue	12,528	14,141	26,669
Total non-operating revenues	12,528	14,141	26,669
Income before contributions and transfers	1,388,400	87,389	1,475,789
Changes in net assets	1,388,400	87,389	1,475,789
Net assets (deficits), beginning	(42,782)	1,955,260	1,912,478
Net assets, ending	\$ 1,345,618	\$ 2,042,649	\$ 3,388,267

City of Surprise, Arizona
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2012

	Governmental Activities		
	Employee Healthcare Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 8,211,564	\$ 1,555,125	\$ 9,766,689
Cash paid to suppliers	(6,481,933)	(1,289,225)	(7,771,158)
Cash paid to employees	(84,981)	(152,291)	(237,272)
Net cash provided by operating activities	1,644,650	113,609	1,758,259
Cash flows from investing activities			
Cash received from interest income	12,528	14,141	26,669
Net cash provided by investing activities	12,528	14,141	26,669
Net change in cash	1,657,178	127,750	1,784,928
Cash, beginning of year	1,105,183	1,882,822	2,988,005
Cash, end of year	<u>\$ 2,762,361</u>	<u>\$ 2,010,572</u>	<u>\$ 4,772,933</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,375,872	\$ 73,248	\$ 1,449,120
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) decrease in assets:			
Other receivables	-	10,919	10,919
Other assets	(1,207)	(3,788)	(4,995)
Increase (decrease) in liabilities:			
Accounts payable	(4,014)	27,027	23,013
Accrued payroll and related taxes	12	341	353
Insurance claims payable	273,201	-	273,201
Compensated absences payable	786	5,862	6,648
Total adjustments	268,778	40,361	309,139
Net cash provided by operating activities	<u>\$ 1,644,650</u>	<u>\$ 113,609</u>	<u>\$ 1,758,259</u>
Reconciliation to Statement of Net Assets			
Cash, end of year	\$ 2,762,361	\$ 2,010,572	\$ 4,772,933
Total cash and investments	<u>\$ 2,762,361</u>	<u>\$ 2,010,572</u>	<u>\$ 4,772,933</u>



STATISTICAL SECTION

This section provides detailed information, for purposes of providing a context for comprehending the information presented in the financial statements, note disclosures and required supplementary information, and gaining a better understanding of the financial shape of the City of Surprise, Arizona.

Contents:

Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help the reader assess the government's most significant local revenue sources, transaction privilege (sales) tax and property taxes.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information:

These schedules of demographic and economic indicators help the reader understand the environment that the government's financial activities take place.

Operating Information:

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Reports for the relevant year.

City of Surprise, Arizona
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 55,744,878	\$ 68,998,321	\$ 82,385,302	\$ 187,462,971	\$ 235,593,851	\$ 309,902,948	\$ 355,991,192	\$ 437,142,472	\$ 425,526,375	\$ 445,035,827
Restricted	127,420	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	27,494,001	27,405,931	27,011,749
Unrestricted	52,764,531	60,780,976	57,596,080	75,952,911	86,660,609	47,851,783	16,550,858	5,285,625	1,266,669	4,750,944
Total governmental activities net assets	\$ 108,636,829	\$ 133,264,194	\$ 196,053,377	\$ 325,993,074	\$ 365,614,282	\$ 402,926,802	\$ 401,046,157	\$ 469,922,098	\$ 454,198,975	\$ 476,798,520
Business-type activities										
Invested in capital assets, net of related debt	\$ 80,646,084	\$ 87,647,382	\$ 98,222,769	\$ 127,958,364	204,428,757	\$ 238,368,447	\$ 256,006,743	\$ 250,936,354	\$ 257,403,366	\$ 269,712,138
Restricted*	-	-	-	-	-	-	-	13,841,284	21,445,388	6,673,158
Unrestricted	25,685,807	46,457,623	70,827,452	68,439,086	67,069,983	55,098,885	43,044,370	40,360,365	39,592,483	54,053,088
Total business-type activities net assets	\$ 106,331,891	\$ 134,105,005	\$ 169,050,221	\$ 196,397,450	\$ 271,498,740	\$ 293,467,332	\$ 299,051,113	\$ 305,138,003	\$ 318,441,237	\$ 330,438,384
Primary government										
Invested in capital assets, net of related debt	\$ 136,390,962	\$ 156,645,703	\$ 180,608,071	\$ 315,421,335	\$ 440,022,608	\$ 548,271,395	\$ 611,997,935	\$ 688,078,826	\$ 682,929,741	\$ 714,747,965
Restricted	127,420	3,484,897	56,071,995	62,577,192	43,359,822	45,172,071	28,504,107	41,335,285	48,851,319	33,684,907
Unrestricted	78,450,338	107,238,599	128,423,532	144,391,997	153,730,592	102,950,668	59,595,228	45,645,990	40,859,152	58,804,032
Total primary government net assets	\$ 214,968,720	\$ 267,369,199	\$ 365,103,598	\$ 522,390,524	\$ 637,113,022	\$ 696,394,134	\$ 700,097,270	\$ 775,060,101	\$ 772,640,212	\$ 807,236,904

Source: The source of this information is the City's financial records.

* Restricted amount for fiscal year 2010 is for sewer fund debt-related reserves. Beginning in fiscal year 2010, sewer fund debt was properly recorded in the sewer fund as a business-type activity, instead of a governmental activity as previously reported.

City of Surprise, Arizona
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General government										
Public safety	\$ 7,261,998	\$ 10,048,590	\$ 9,183,596	\$ 11,940,344	\$ 16,453,191	\$ 18,230,474	\$ 20,248,301	\$ 21,961,410	\$ 18,092,847	\$ 17,438,582
Public works & streets (including SLIDs)	12,421,571	16,091,306	18,142,250	22,468,552	27,987,949	34,962,539	39,409,554	33,876,919	38,760,889	39,628,843
Community development	6,443,612	8,725,321	9,754,900	69,404,991	20,868,755	25,092,309	26,621,704	28,392,783	29,748,611	29,415,043
Culture and recreation	2,765,942	3,494,720	3,565,707	4,230,145	5,244,991	5,237,442	4,824,047	6,484,414	4,915,385	7,401,566
Interest	8,814,719	9,693,533	12,579,822	14,205,034	17,809,127	19,972,094	21,138,623	16,399,646	15,229,013	16,189,568
	3,439,953	2,149,947	2,802,299	2,579,639	2,706,394	5,047,505	5,124,808	2,044,603	1,919,145	1,594,060
Total governmental activities expenses	41,147,795	50,203,417	56,028,574	124,828,705	91,070,407	108,542,363	117,367,037	109,159,775	108,665,890	111,667,662
Business-type Activities:										
Water	2,520,676	2,743,166	3,761,890	5,100,815	6,486,400	7,060,228	11,629,143	9,792,043	11,188,199	10,792,041
Sewer	5,299,290	431,316	7,348,509	9,261,758	10,765,370	11,021,010	16,315,148	16,665,251	20,090,934	19,325,017
Sanitation	1,286,846	5,310,460	2,064,479	2,705,418	3,542,024	4,015,174	4,269,858	4,559,778	5,603,983	6,047,844
Replenishment	269,688	1,641,006	461,179	637,096	628,514	1,585,734	-	-	-	-
Total business-type activities	9,376,500	10,125,948	13,636,057	17,705,087	21,422,308	23,682,146	32,214,149	31,017,072	36,883,116	36,164,902
Total primary government expenses	\$ 50,524,295	\$ 60,329,365	\$ 69,664,631	\$ 142,533,792	\$ 112,492,715	\$ 132,224,509	\$ 149,581,186	\$ 140,176,847	\$ 145,549,006	\$ 147,832,564
Program Revenues										
Governmental Activities:										
Charges for services:										
General government										
Public safety	\$ 133,663	\$ 5,076,871	\$ 4,938,746	\$ 4,970,335	\$ 4,981,861	\$ 7,468,412	\$ 7,762,750	\$ 5,630,748	\$ 7,947,615	\$ 6,435,843
Public works & streets (including SLIDs)	809,559	741,975	1,181,405	1,998,261	1,719,969	2,409,665	3,132,368	1,257,537	1,522,658	3,096,058
Community development	2,445,654	1,002,286	2,729,991	3,294,580	4,165,635	4,017,706	3,004,313	328,230	3,786,620	3,238,179
Culture and recreation	6,501,088	10,698,217	13,613,078	8,715,983	5,527,926	3,441,463	1,436,629	868,305	1,315,799	1,622,594
Operating grants and contributions	6,938,081	2,309,967	2,637,300	2,447,816	2,474,416	2,903,069	3,539,257	3,783,816	3,838,003	5,307,491
Capital grants and contributions	472,278	1,393,209	1,549,862	2,269,888	2,414,175	2,268,074	1,774,977	13,157,726	10,404,916	8,207,130
	44,075,851	19,008,175	40,482,590	161,045,621	44,804,100	43,039,657	21,552,356	31,142,608	8,655,730	32,449,260
Total governmental activities program revenues	61,376,174	40,230,700	67,132,972	184,742,484	66,088,082	65,548,046	42,202,650	56,168,970	37,471,341	60,356,555
Business-type activities:										
Charges for services:										
Water	2,402,258	3,087,993	3,878,556	7,091,232	7,737,813	8,683,732	10,282,626	9,711,411	9,841,874	10,047,169
Sewer	5,416,830	6,856,787	8,155,012	10,844,860	12,367,546	12,990,898	13,587,358	14,857,689	15,303,709	15,481,721
Sanitation	1,771,777	2,036,690	2,569,783	3,893,555	4,573,178	5,280,028	5,627,829	6,175,989	6,598,929	6,700,961
Replenishment	319,719	535,862	650,607	1,037,188	796,503	771,602	-	-	-	-
Capital grants and contributions	12,927,699	20,778,789	30,736,541	21,040,118	25,616,242	22,488,762	12,856,449	51,714,784	16,878,654	14,502,214
Total business-type activities program revenues	22,838,283	33,296,121	45,990,499	43,906,953	51,091,282	50,215,022	42,354,262	82,459,873	48,623,166	46,732,065
Total primary government program revenues	\$ 84,214,457	\$ 73,526,821	\$ 113,123,471	\$ 228,649,437	\$ 117,179,364	\$ 115,763,068	\$ 84,556,912	\$ 138,628,843	\$ 86,094,507	\$ 107,088,620
Net revenue/expense:										
Governmental activities	\$ 20,228,379	\$ (9,972,717)	\$ 11,104,398	\$ 59,913,779	\$ (24,982,325)	\$ (42,994,317)	\$ (75,164,387)	\$ (52,990,805)	\$ (71,194,549)	\$ (51,311,107)
Business-type activities	13,461,783	23,170,173	32,354,442	26,201,866	29,668,974	26,532,876	10,140,113	51,442,801	11,740,050	10,567,163
Total primary government net expense	\$ 33,690,162	\$ 13,197,456	\$ 43,458,840	\$ 86,115,645	\$ 4,686,649	\$ (16,461,441)	\$ (65,024,275)	\$ (1,548,004)	\$ (59,454,499)	\$ (40,743,944)

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property taxes	\$ 2,945,714	\$ 3,039,352	\$ 4,019,951	\$ 5,078,661	\$ 6,728,647	\$ 7,379,236	\$ 7,403,211	\$ 6,831,553	\$ 7,018,180	\$ 6,112,789
Sales taxes	18,649,326	24,087,555	37,433,674	48,617,437	45,707,048	39,336,323	33,241,899	29,144,497	29,826,572	33,266,049
Franchise taxes	1,469,246	1,844,692	2,283,688	2,990,582	3,602,776	3,907,778	4,073,771	4,309,896	4,448,614	4,547,621
State shared revenue	5,919,754	5,605,862	6,084,821	7,437,667	19,247,219	20,808,942	20,546,483	21,234,739	18,767,966	23,434,911
Unrestricted investment earnings	(151,038)	718,264	2,480,100	4,253,352	7,218,793	3,959,328	422,965	414,492	488,919	304,846
Other	1,137,581	617,820	704,004	815,436	1,824,746	1,437,163	3,545,306	1,425,472	489,667	297,016
Transfers	(17,459,444)	(4,053,169)	(1,321,453)	832,783	(36,469,155)	4,078,000	4,050,107	(6,195,179)	946,818	968,148
Total governmental activities	12,511,139	31,860,376	51,684,785	70,025,918	47,860,074	80,906,770	73,283,742	57,165,470	61,986,736	68,931,380

Business-type activities:

Unrestricted investment earnings	(244,180)	549,771	1,269,321	1,978,146	4,053,513	2,344,100	365,454	423,050	552,583	331,127
Other	-	-	-	-	-	-	-	110,149	483,773	-
Special item - Extinguishment of debt	-	-	-	-	-	-	-	2,821,348	-	-
Transfers	17,459,444	4,053,169	1,321,453	(832,783)	36,469,155	(4,078,000)	(4,373,199)	6,195,179	(946,818)	(968,148)
Total business-type activities	17,215,264	4,602,940	2,590,774	1,145,363	40,522,668	(1,733,900)	(4,007,745)	9,549,726	89,538	(637,021)
Total primary government	\$ 29,726,403	\$ 36,463,316	\$ 54,275,559	\$ 71,171,281	\$ 88,382,742	\$ 79,172,870	\$ 69,275,997	\$ 66,715,196	\$ 62,076,274	\$ 68,294,359

Change in Net Assets

Governmental activities	\$ 32,739,518	\$ 21,887,659	\$ 62,789,183	\$ 129,939,697	\$ 22,877,749	\$ 37,912,453	\$ (1,880,645)	\$ 4,174,665	\$ (9,207,813)	\$ 17,620,273
Business-type activities	30,677,047	27,773,113	34,945,216	27,347,229	70,191,642	24,798,976	6,132,368	60,992,527	11,829,588	9,930,142
Prior period adjustments	-	-	-	-	21,653,107	(3,430,317)	-	-	-	-
Total primary government	\$ 63,416,565	\$ 49,660,772	\$ 97,734,399	\$ 157,286,926	\$ 114,722,498	\$ 59,281,112	\$ 4,251,722	\$ 65,167,192	\$ 2,621,775	\$ 27,550,415

Source: The source of this information is the City's financial records.

City of Surprise, Arizona
Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Nonspendable										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,420	\$ 637,513
Committed	-	-	-	-	-	-	-	-	129,117	79,170
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	1,334,202	317,343
Reserved	-	-	-	-	-	-	-	-	239,533	4,459,773
Unreserved	23,268,694	32,661,305	41,826,279	45,310,453	31,570,113	56,667	4,048,909	2,692,681	-	-
Total general fund	\$ 23,268,694	\$ 32,661,305	\$ 41,826,279	\$ 45,310,453	\$ 31,570,113	\$ 31,766,001	\$ 17,105,789	\$ 12,527,329	\$ 2,030,272	\$ 5,493,799

All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,744	\$ 106,844
Restricted	-	-	-	-	-	-	-	-	27,151,070	26,932,579
Committed	-	-	-	-	-	-	-	-	7,767,079	7,915,957
Assigned	-	-	-	-	-	-	-	-	41,951,897	42,460,372
Unassigned	-	-	-	-	-	-	-	-	(50,850,735)	(50,409,260)
Reserved	2,289,308	5,643,105	2,289,308	2,289,309	2,289,308	2,289,307	2,289,308	57,870,335	-	-
Unreserved, reported in:										
Special revenue funds	27,757,570	30,678,909	55,938,643	62,118,371	36,752,608	37,336,735	22,123,789	(37,216,769)	-	-
Capital projects funds	1,787,216	5,865,280	14,934,332	29,508,462	58,960,539	21,474,937	2,895,166	(8,724,406)	-	-
Debt service funds	127,420	131,100	133,352	458,821	651,086	555,713	27,832	6,236,019	-	-
Total all other governmental funds	\$ 31,961,514	\$ 42,318,394	\$ 73,295,635	\$ 94,374,963	\$ 98,653,541	\$ 61,656,692	\$ 27,336,095	\$ 18,165,179	\$ 26,145,055	\$ 27,006,492

Source: The source of this information is the City's financial records.

Note: GASB 54 established new categories for reporting fund balance.

City of Surprise, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 25,270,676	\$ 27,126,908	\$ 41,459,268	\$ 53,696,072	\$ 52,439,926	\$ 46,715,559	\$ 40,645,112	\$ 38,940,670	\$ 39,445,440	42,290,109
Licenses and permits	30,212,048	1,844,692	2,283,688	2,990,582	3,602,764	3,907,778	4,073,771	4,342,546	4,490,664	4,586,621
Intergovernmental	6,180,140	9,962,621	9,654,739	12,012,572	29,416,541	30,539,662	29,229,811	28,985,886	25,743,085	30,476,028
Charges for services	9,080,947	14,018,782	16,887,035	12,720,371	9,811,846	8,198,304	9,511,853	4,963,482	5,708,552	7,052,487
Grants	119,309	468,774	1,232,108	1,938,848	1,707,016	1,881,543	1,314,944	2,855,614	3,010,650	1,626,534
Fines	778,307	689,721	1,076,701	1,515,169	1,222,791	1,348,307	1,862,634	1,930,945	1,827,127	1,870,202
Rents	5,431,504	5,524,818	5,520,616	5,274,430	5,224,704	7,844,593	7,789,822	4,000,944	6,111,019	580,820
Development fees	8,369,809	15,421,946	24,690,132	16,021,064	10,565,562	8,910,391	3,929,986	1,721,280	2,494,845	2,415,290
Interest	(111,290)	715,156	2,468,787	4,215,995	7,138,672	3,894,950	403,629	391,530	464,496	278,177
Special assessments*	486,800	697,875	710,321	823,210	1,420,634	1,442,179	2,186,412	-	-	-
Donations	-	-	-	-	-	-	-	-	429,237	257,372
Indirect charges**	-	-	-	-	-	-	-	-	3,660,700	3,660,700
Other	2,686,313	2,352,780	1,876,431	2,137,960	3,501,040	3,831,556	1,451,216	2,286,355	2,047,634	1,175,823
Total revenues	88,504,563	78,824,073	107,859,826	113,346,273	126,051,496	118,514,822	102,399,190	90,419,252	89,933,449	96,270,163
Expenditures										
Current										
General government	7,116,791	9,051,514	8,944,454	11,764,388	15,612,055	17,221,315	17,770,249	17,750,497	12,073,329	12,627,722
Public safety	12,032,201	14,652,086	17,057,307	21,076,990	26,203,451	31,932,891	34,769,733	30,461,294	34,968,406	35,592,854
Public works and streets (incl. SLIDS)	5,333,461	6,506,475	7,527,300	9,294,252	12,655,253	15,145,796	14,831,441	15,573,166	15,425,981	14,706,512
Community development	2,726,882	3,241,710	3,501,454	4,176,022	4,906,263	5,179,121	4,707,176	6,447,218	4,802,971	7,336,377
Culture and recreation	8,577,218	7,328,847	10,644,800	12,137,290	15,537,728	17,326,488	18,110,338	13,393,070	12,373,798	13,421,538
Capital outlay	30,839,511	12,703,354	13,404,250	24,756,609	77,435,948	67,295,318	56,371,993	12,918,988	6,186,111	5,177,828
Debt Service										
Principal	2,613,138	2,673,823	3,645,047	2,941,531	3,683,399	4,123,668	3,376,652	2,137,075	2,328,300	2,449,900
Interest	3,483,891	2,168,792	3,014,562	2,635,689	2,519,077	4,806,074	4,987,153	1,973,329	1,898,152	1,594,060
Other charges	-	647,024	-	-	1,747,390	256,445	231,221	-	-	-
Total expenditures	72,723,093	58,973,625	67,739,174	88,782,771	160,300,564	163,287,116	155,155,956	100,654,637	90,057,048	92,906,791
Excess of revenues over (under) expenses	15,781,470	19,850,448	40,120,652	24,563,502	(34,249,068)	(44,772,294)	(52,756,766)	(10,235,385)	(123,599)	3,363,372
Other financing sources (uses)										
Transfers in (out)	(17,459,444)	(50,000)	21,563	-	(36,469,155)	4,078,000	4,373,199	(6,167,991)	946,818	968,148
From bonding	-	45,660,720	-	-	52,133,243	3,950,000	3,395,000	-	-	-
Payments to refunded bond escrow agent	-	(45,711,677)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(17,459,444)	(100,957)	21,563	-	15,664,088	8,028,000	7,768,199	(6,167,991)	946,818	968,148
Net change in fund balances	\$ (1,677,974)	\$ 19,749,491	\$ 40,142,215	\$ 24,563,502	\$ (18,584,980)	\$ (36,744,294)	\$ (44,988,567)	\$ (16,403,376)	\$ 823,219	\$ 4,331,520
Debt service as a percentage of noncapital expenditures***	14.6%	11.9%	12.3%	8.7%	9.6%	9.6%	8.7%	4.7%	5.0%	4.6%

Source: The source of this information is the City's financial records.

* Beginning in fiscal year 2010, the revenue related to Street Light Improvement Districts are reflected in the special assessments category rather than charges for services as in previous years.

** Beginning in fiscal year 2011, indirect charges are shown as revenue rather than transfers in.

*** Beginning in fiscal year 2010, the debt related to the sewer fund was properly reported in the sewer fund, which decreases the percentage of debt reported for governmental funds.

City of Surprise, Arizona
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Primary Property Tax*	Sales Tax	Franchise & Business Licenses	Total
2003	\$ 1,773,580	\$ 18,649,326	\$ 1,469,246	\$ 21,892,152
2004	2,263,863	24,087,555	1,844,692	28,196,110
2005	3,258,615	37,433,674	2,283,688	42,975,977
2006	4,008,424	48,617,437	2,990,582	55,616,443
2007	5,139,517	45,707,048	3,602,776	54,449,341
2008	5,759,123	39,336,323	3,907,778	49,003,224
2009	6,349,918	33,241,899	4,073,771	43,665,588
2010	6,831,553	29,144,497	4,309,896	40,285,946
2011	7,018,180	29,826,572	4,448,614	41,293,366
2012	6,112,789	33,266,049	4,547,621	43,926,459

Source: The source of this information is the City's financial records.

* Excludes tax assessments for Communities Facilities Districts, improvement districts, and secondary taxes for specific debt.

City of Surprise, Arizona
Major Sources of Municipal Sales Tax
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Description of Payers Business</u>										
Construction	\$ 8,387,094	\$ 11,995,287	\$ 19,944,596	\$ 26,920,187	\$ 22,273,119	\$ 19,944,596	\$ 10,173,434	\$ 4,391,089	\$ 3,870,561	\$ 4,936,286
Retail trade	5,473,753	6,376,568	7,614,991	9,898,903	10,818,523	7,614,991	9,839,563	10,886,710	11,258,630	12,588,859
Communications and utilities	1,438,346	1,568,774	2,319,957	3,043,575	3,817,854	2,319,957	4,278,158	4,706,978	4,558,281	4,813,827
Restaurant and bar	2,036,162	2,369,481	2,329,386	3,079,599	3,399,278	2,329,386	3,509,150	3,704,296	3,910,930	4,254,798
Real estate, rental and leasing	743,144	1,018,429	2,863,422	3,427,657	3,392,492	2,863,422	2,576,629	2,618,870	2,824,605	3,160,567
Other	547,031	1,974,909	2,747,576	3,213,600	2,873,787	2,747,576	2,559,706	2,833,644	2,858,970	3,278,980
Total	\$ 18,625,530	\$ 25,303,448	\$ 37,819,927	\$ 49,583,522	\$ 46,575,052	\$ 37,819,927	\$ 32,936,640	\$ 29,141,587	\$ 29,281,977	\$ 33,033,317

Source: City of Surprise "Sales, Use, and Bed Tax Report" as of June 30, 2012, page 4, 12, and 16.

The City records sales tax on the modified accrual basis. Therefore, there is a difference between the amounts on this schedule and sales tax reported on the previous page.

1. Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments call the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established.

2. When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

State and local laws prohibit the disclosure of individual taxpayer information.

City of Surprise, Arizona
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property		Exemptions		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value Residential Property	Assessed Value Commercial Property	Real Property	Full Cash Value	Direct Tax Rate	Estimated Actual Taxable Full Cash Value	
	P	S	\$	\$		\$	
2003	P	\$ 241,706,879	\$ 89,937,993	\$ (7,579,426)	0.6632	\$ 2,863,204,670	11.32%
2003	S	254,689,650	107,470,956	(10,908,442)	0.2469	3,095,380,298	11.58%
2004	P	310,173,557	143,452,774	(14,430,182)	0.6936	3,848,072,997	11.41%
2004	S	315,724,458	185,674,681	(22,082,942)	0.2165	4,151,661,773	11.35%
2005	P	412,381,126	166,738,901	(20,680,753)	0.7501	4,985,269,701	11.20%
2005	S	428,009,039	197,570,134	(26,978,665)	0.1600	5,317,342,630	11.56%
2006	P	533,657,696	196,781,296	(32,647,265)	0.7277	6,334,258,210	11.02%
2006	S	428,009,039	197,570,134	(26,978,665)	0.1824	6,740,461,398	11.24%
2007	P	694,019,621	247,721,262	(46,868,662)	0.7229	8,200,671,779	10.91%
2007	S	941,366,143	331,586,677	(69,891,234)	0.1872	11,160,145,641	11.03%
2008	P	819,429,363	326,002,161	(70,878,667)	0.6593	9,933,288,785	10.82%
2008	S	1,080,135,505	508,970,816	(136,074,353)	0.1007	13,635,883,791	10.78%
2009	P	902,669,562	421,828,698	(96,442,274)	0.5939	11,327,541,715	10.84%
2009	S	935,770,645	586,634,924	(148,345,490)	0.0195	12,616,563,818	10.68%
2010	P	733,273,293	441,633,369	(109,721,336)	0.5661	9,764,355,064	10.91%
2010	S	738,039,896	527,866,735	(142,517,808)	-	10,309,334,830	10.84%
2011	P	653,462,350	390,032,243	(118,014,836)	0.6735	8,724,745,680	10.61%
2011	S	653,899,650	413,937,611	(137,942,758)	-	8,876,551,174	10.90%
2012	P	653,425,523	390,774,648	(112,327,444)	0.6700	8,729,697,453	10.67%
2012	S	653,862,821	414,853,720	(131,986,535)	-	8,883,000,424	10.55%

Source: Maricopa County Assessor's Office 2012 State Abstract
Direct Tax Rate is From the Maricopa County Finance Department's "2011 Tax Levy Book for the City of Surprise".

City of Surprise, Arizona
Property Tax Rates
Direct and Overlapping Governments
Last Ten Calendar Years

Fiscal Year	City of Surprise				Overlapping Rates										Total Direct & Overlapping Rates	
					Maricopa County					Dysart School District						
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate		Operating Tax Rate	Debt Service Tax Rate	County Library	County Tax Rate	Operating Tax Rate	Debt Service Tax Rate	Total School District Tax Rate	Other				
	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$				
2003	0.6632	0.2469	0.9101		1.2108	0.0800	0.0421	1.3329	4.0828	1.3021	5.3849	1.9511	9.5790			
2004	0.6936	0.2165	0.9101		1.2108	0.0700	0.0521	1.3329	4.5856	1.3185	5.9041	1.8891	10.0362			
2005	0.7501	0.1600	0.9101		1.2108	-	0.0521	1.2629	5.0924	1.3014	6.3938	1.8320	10.3988			
2006	0.7277	0.1824	0.9101		1.1971	-	0.0521	1.2492	5.4627	1.6924	7.1551	1.9267	11.2411			
2007	0.7229	0.1872	0.9101		1.1794	-	0.0507	1.2301	5.1144	1.8378	6.9522	1.5145	10.6069			
2008	0.6593	0.1007	0.7600		1.1046	-	0.0391	1.1437	4.4326	1.6402	6.0728	1.3281	9.3046			
2009	0.5939	0.0195	0.6134		1.0327	-	0.0353	1.0680	4.0525	1.5226	5.5751	1.2662	8.5227			
2010	0.5661	-	0.5661		0.9909	-	0.0353	1.0262	3.0430	1.7251	4.7681	1.2182	7.5786			
2011	0.6735	-	0.6735		1.0508	-	0.0412	1.0920	2.9051	2.0919	4.9970	1.3405	8.1030			
2012	0.6700	-	0.6700		1.2407	-	0.0492	1.2899	3.4104	2.5820	5.9924	1.6440	9.5963			

Source: Maricopa County Finance Department's "Maricopa County 2011 Tax Levy" report.

City of Surprise, Arizona
Principal Property Taxpayers
June 30, 2012 and 2003

	2012			2003		
	Primary Assessed Valuation	Rank	Percentage of Total	Primary Assessed Valuation	Rank	Percentage of Total
Taxpayer						
Arizona Public Service Company	\$ 22,329,140	1	2.40%			
Southwest Gas Corporation (T&D)	5,953,817	2	0.64%			
Ccd Real Estate Holdings LLC	4,261,805	3	0.46%			
Surprise Holdings LLC	4,034,041	4	0.43%			
Mci Communications Services Inc	3,840,649	5	0.41%			
Karlin Surprise LLC	3,675,182	6	0.39%			
Surprise Towne Center Holdings LLC	2,834,021	7	0.30%			
Roskamp/Sun Health Management Services LLP	2,783,839	8	0.30%			
Aawc: Agua Fria Water Division	2,754,531	9	0.30%			
Dco Realty Surprise LLC	2,715,290	10	0.29%			
Del Webb Home Construction Inc				\$ 4,079,909	1	1.26%
Crossroads Towne Center Investors LLC				1,503,862	2	0.46%
Elliott Homes Inc				1,393,633	3	0.43%
Wal-Mart Stores Inc				1,331,943	4	0.41%
Grand Village Deborado LLC				1,204,941	5	0.37%
Sun City Grand Community Association Inc				1,165,423	6	0.36%
Trendwest Management Co				1,045,045	7	0.32%
Home Depot USA Inc				984,703	8	0.30%
Albertsons Inc				915,255	9	0.28%
Surprise Village North LLC				910,551	10	0.28%
Total	<u>\$ 55,182,315</u>		5.92%	<u>\$ 14,535,265</u>		4.47%
Primary Assessed Valuation	931,872,727			324,065,446		

Sources: Maricopa County Assessor's Office
Arizona Department of Revenue

City of Surprise, Arizona
Primary Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Collected within the Fiscal Year of the Levy			Tax Collections in Subsequent Years		Total Collections to Date	
	Total Tax Levy	Current Tax Collections	Percentage of Levy		Tax Collections	Tax Collections	Percentage of Levy
2003	\$ 1,730,110	\$ 1,717,390	99.3%	\$ 12,698	\$ 1,730,088		100.0%
2004	2,271,936	2,237,380	98.5%	34,482	2,271,862		100.0%
2005	3,267,143	3,221,174	98.6%	45,920	3,266,694		100.0%
2006	4,010,735	3,957,218	98.7%	53,123	4,010,341		100.0%
2007	4,976,127	4,830,192	97.1%	145,240	4,975,432		100.0%
2008	5,849,651	5,745,663	98.2%	102,951	5,848,614		100.0%
2009	6,352,774	6,166,879	97.1%	183,863	6,350,742		100.0%
2010	6,738,496	6,599,191	97.9%	135,878	6,735,069		99.9%
2011	7,087,416	6,892,250	97.2%	185,142	7,077,392		99.9%
2012	6,165,075	6,021,059	97.7%	-	6,021,059		97.7%

Source: Maricopa County Treasurer's Office "Secured Levy Report" through June 30, 2012.

City of Surprise, Arizona

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special (CFD)		Municipal Property Corp. Bonds	Municipal Property Corp. Bonds	Infrastructure					
		Bonds	Assessment			Financing Authority Loan					
2003	\$ 4,922,738	\$ -	-	\$ 55,995,000	-	\$ -	-	\$ 60,917,738	6.0%	1,174	
2004	4,353,867	-	-	56,785,000	-	-	-	61,138,867	N/A	1,178	
2005	3,763,842	-	-	53,800,000	-	-	-	57,563,842	3.0%	896	
2006	3,157,311	-	-	51,465,000	-	-	-	54,622,311	2.4%	619	
2007	1,883,912	1,365,000	-	99,730,000	-	-	-	102,978,912	4.1%	1,068	
2008	413,270	5,275,000	-	97,195,000	-	-	-	102,883,270	N/A	1,048	
2009	-	8,495,000	-	94,560,000	-	-	-	103,055,000	3.9%	948	
2010*	-	8,290,000	-	28,677,713	63,112,287	1,500,000	-	101,580,000	4.3%	864	
2011	-	7,935,000	-	24,489,225	61,295,775	1,324,760	-	95,044,760	4.0%	809	
2012	-	7,745,000	-	22,229,325	60,315,675	-	-	90,290,000	3.2%	756	

* The amount for fiscal year 2010 is for sewer related municipal property corporation bonds. Beginning in fiscal year 2010, the municipal property corporation bonds were properly recorded in the sewer fund as a business-type activity instead of as a governmental activity as previously reported.

City of Surprise, Arizona
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2003	\$ 4,922,738	\$ 127,420	\$ 4,795,318	0.198%	92
2004	4,353,867	131,100	4,222,767	0.136%	66
2005	3,763,842	133,352	3,630,490	0.087%	41
2006	3,157,311	458,821	2,698,490	0.051%	28
2007	1,883,912	511,309	1,372,603	0.020%	14
2008	413,270	170,095	243,175	0.002%	2
2009	-	-	-	0.000%	-
2010	-	-	-	0.000%	-
2011	-	-	-	0.000%	-
2012	-	-	-	0.000%	-

City of Surprise, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

	<u>General Obligation Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Governmental Unit:</u>			
Debt repaid with property taxes :			
Maricopa County Community College	\$ 671,250,000	2.55%	\$ 17,137,118
Dysart Unified School District No. 89	182,795,000	78.63%	143,731,777
Subtotal, overlapping debt			<u>160,868,895</u>
City of Surprise, Arizona direct general obligation debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 160,868,895</u></u>

Sources: Assessed value used to estimate applicable percentages provided by Maricopa County.

Debt data provided by the Arizona Department of Revenue - Arizona Report of Bonded Indebtedness.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Surprise. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

City of Surprise, Arizona
Legal Debt Margin Information Unrestricted and Restricted
Last Ten Fiscal Years

Unrestricted

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit 6%										
Total net debt applicable to limit	\$ 16,811,454	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800
Unrestricted legal debt margin	\$ 16,811,454	\$ 21,121,049	\$ 28,849,802	\$ 35,912,240	\$ 44,671,757	\$ 71,654,555	\$ 87,434,062	\$ 81,197,672	\$ 67,742,464	\$ 56,203,800

Total net debt applicable to the limit
as a percentage of debt limit

	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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Restricted

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit 20%										
Total net debt applicable to limit	\$ 56,038,180	\$ 70,403,497	\$ 96,166,008	\$ 119,707,465	\$ 148,905,857	\$ 238,848,517	\$ 291,446,872	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001
Restricted legal debt margin	\$ 50,757,313	\$ 65,608,179	\$ 91,943,241	\$ 116,076,975	\$ 146,207,367	\$ 237,475,914	\$ 291,203,697	\$ 270,658,907	\$ 225,808,214	\$ 187,346,001

Total net debt applicable to the 20% limit
as a percentage of the 20% debt limit

	9.42%	6.81%	4.39%	3.03%	1.81%	0.57%	0.08%	0.00%	0.00%	0.00%
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Source: Maricopa County Assessor's Office - 2011 Levy Limit Worksheet

City of Surprise, Arizona
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income	Median Household Income	Median Age	Unemployment Rate
2003	51,885	\$ 1,008,545,571	\$ 48,984	45.3	5.3%
2004	64,210	N/A	N/A	N/A	4.4%
2005	88,265	1,889,921,774	53,958	35.4	4.1%
2006	96,425	2,303,409,583	60,198	36.0	4.5%
2007	98,140	2,500,467,000	64,206	35.7	4.8%
2008	104,895	N/A	N/A	N/A	6.0%
2009	108,761	2,643,237,573	61,244	40.2	8.3%
2010	117,517	2,367,906,098	61,208	35.4	9.4%
2011	117,517	2,471,437,008	57,114	36.8	6.5%
2012	119,489	2,841,770,071	62,141	35.9	4.3%

Data Sources:

Arizona Department of Commerce
US Census Bureau

City of Surprise, Arizona
Principal Employers
Last Ten Fiscal Years

Employer	2012			2003		
	Employees	Rank	%of Total	Employees	Rank	%of Total
Dysart School District (Surprise Schools Only)	1,654	1	13.79%	413	4	2.44%
City of Surprise	867	2	7.23%	449	3	2.65%
Fry's Food Store	549	3	4.58%	165	8	0.98%
Wal-Mart	549	4	4.58%	550	2	3.25%
Maricopa County	202	5	1.68%	154	10	0.91%
Crescent Crown	200	6	1.67%			
Kohl's Department Store	195	7	1.63%			
Safeway Food Store	188	8	1.57%			
Home Depot	166	9	1.38%	160	9	0.95%
Sam's Club	134	10	1.12%			
Albertson's Food Store				175	6	1.03%
Del Webb Hospital				1,399	1	8.27%
Del Webb/Pulte				350	5	2.07%
Dillon's Restaurant/Catering				165	7	0.98%

Source: City of Surprise Economic Development Division & Maricopa Association of Governments.

City of Surprise, Arizona
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Function</u>										
General government	68	65	80	97	124	139	140	124	124	118
Public safety:										
Police:										
Officers	80	84	97	117	128	150	134	132	130	132
Civilians	12	13	13	14	15	20	53	56	58	49
Fire:										
Firefighters and officers	77	91	94	106	129	156	110	110	114	112
Civilians	3	3	4	6	9	10	15	9	8	6
Public works and streets:										
All others	52	55	63	78	89	105	113	100	96	87
Community development	33	37	43	49	51	48	43	40	36	36
Culture and recreation	76	85	94	103	112	124	117	95	97	97
Water	5	6	7	10	8	8	31	31	33	29
Sanitation	8	11	16	23	29	29	32	32	34	34
Sewer	14	17	20	26	30	34	39	39	39	36
Replenishment	1	1	1	1	3	5	-	-	-	-
Total	429	468	532	630	727	828	827	769	768	736

Source: Fiscal year 2013 Adopted Budget

City of Surprise, Arizona
Operating Indicators by Function
Last Ten Fiscal Years

Function	2003¹	2004¹	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police:										
Calls- incidents responded to	52,700	58,800	28,503	33,047	38,283	40,344	43,002	41,495	40,779	42,010
Citations issued	N/A	9,119	11,080	12,117	8,347	11,732	13,728	12,455	8,233	7,856
Officers per 1,000 residents	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.5	1.1
Fire:										
Number of responses	5,086	6,628	7,416	8,668	9,120	10,281	10,523	10,998	11,620	12,313
Inspections	1,796	852	1,023	1,055	2,164	2,285	2,114	639	1,101	1,122
Public works and streets:										
Sq. ft. of buildings to maintain	287,034	320,700	340,700	375,000	378,900	535,717	567,245	830,271	830,431	830,431
Vehicles/equipment maintained per month	27	200	229	244	394	418	484	444	387	494
Number of street lights repaired	20	50	135	150	148	124	212	249	270	291
Street miles maintained	418	525	550	592	592	592	592	526	536	539
Community development:										
Building safety inspections performed	53,821	76,843	61,215	37,607	38,000	30,311	17,749	11,349	11,106	13,257
Annual new residential starts	3,263	5,304	7,704	6,866	1,759	774	373	291	206	395
Culture and recreation:										
Organized recreation program participants	29,430	34,700	41,700	29,000	27,760	132,795	186,139	170,336	176,569	185,232
Special events/open facility participants	116,109	146,200	150,300	144,000	157,800	249,599	259,731	242,759	261,327	256,674
Water:										
Water service connections	5,939	7,593	11,047	13,249	13,985	14,375	14,472	14,519	14,130	14,329
Sewer:										
Sewage treated (million gallons per day)	3.1	4.5	5.9	7.0	7.0	7.0	6.0	7.6	7.4	7.6
Sewer service connections	17,293	26,991	35,001	40,072	42,284	42,912	45,032	46,448	44,077	44,583
Sanitation:										
Refuse collected (tons/annually)	17,241	18,470	21,200	28,100	30,700	31,506	29,757	30,398	30,803	30,289
Number of routes	7	8	11	31	31	25	26	34	34	33
Total services	13,390	15,341	21,800	28,625	30,800	32,096	32,719	33,797	37,144	32,357

¹2003 and 2004 Data reflect both officer initiated and public calls for service. Years 2005 going forward reflect public calls for service only.

Sources: Various government departments

City of Surprise, Arizona
Capital Asset Statistics by Function
Last Ten Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police:										
Stations	1	2	2	2	2	2	2	2	2	2
Patrol units	40	46	55	75	66	68	81	73	80	64
Fire:										
Fire stations	4	4	4	4	4	6	7	7	7	7
Fire engines and ladder trucks	4	4	6	7	7	9	10	11	11	11
Public works and streets:										
Street miles	540	630	586	593	593	593	592	592	536	539
Street lighting improvement districts	37	43	57	69	71	79	79	83	98	103
Traffic Signals	13	16	20	23	27	34	41	42	42	45
Bridges	1	1	1	1	1	9	12	15	15	19
Community development:										
Inspection vehicles	16	16	27	29	23	14	12	12	12	12
Culture and recreation:										
Parks acreage	277	277	278	284	284	367	383	393	393	393
Parks	5	5	6	7	9	12	12	12	12	12
Swimming pools	1	2	2	2	2	2	2	2	2	2
Softball fields	2	2	2	2	3	3	9	11	11	11
Baseball fields	15	15	15	15	17	17	21	21	21	21
Libraries	2	2	2	2	2	2	2	2	2	2
Water:										
Well production maximum daily	3.3	5.8	5.8	20.2	22.0	21.8	20.7	24.6	31.0	31.0
Sewer:										
Sewer treatment plants	2	1	1	1	1	1	1	1	2	2
Maximum daily treatment capacity	3.3	7.2	7.2	7.5	8.3	8.3	16.3	16.3	18.3	18.3
Sanitation:										
Collection trucks	9	11	17	22	22	25	26	26	26	26

Sources: Various government departments



SURPRISE

ARIZONA

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